



Massachusetts Cracks Down on Gambling at Internet Cafes

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Last month, citing evidence that illegal gambling was going on at “Internet cafés” throughout the state, Massachusetts Attorney General Martha Coakley issued a new permanent regulation banning gambling at such places.

The regulation bans the operation of establishments “where a gambling purpose predominates over the bona fide sale of bona fide goods or services” – in this case, cyber cafés and phone card video game terminals. The attorney general contends that many establishments that offer these services are actually fronts for illegal online gambling, including unlawful lotteries, online slot-machine games, sweepstakes, and other forms of gambling.

In April, the attorney general’s office had issued emergency regulations banning illegal gambling at such places after receiving complaints that this activity was going on across the state.

The emergency regulations had targeted two activities in particular—namely, “cyber cafés” and “phone card lotteries.” The so-called “cyber cafes” feature dozens of computer screens at which patrons play video slot machines, lotteries, or similar games where the winning numbers are revealed each time the player uses game credits — or money — to play the game. Establishments offering these types of games purport to sell only Internet time, coupled with the opportunity to win prizes in a lottery, sweepstakes, or video slots. The attorney general, however, saw it differently, finding that the sale of Internet time is often a ruse for illegal gambling.

Similarly, other establishments in Massachusetts, such as convenience stores and bars, house “phone card” lottery machines that offer the chance to win a prize by playing a lottery, sweepstakes, or a game like slots or poker. To participate, the player buys a phone card, offering some number of minutes of phone calling, which is generated in the form of a receipt or stub. While the purchase of a phone card allows a customer to gamble, winnings typically are redeemed in cash.

The new permanent regulation, which is nearly identical to the emergency regulations issued earlier this year, similarly targets Internet cafes and phone card video game terminals. Like its predecessor, the permanent regulation faces concerted opposition from business owners throughout the state who question whether the activities banned by the prohibitions are really illegal in the first place.



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These business owners also find it hypocritical for the State to ban these operations, while legislators and the governor are meanwhile engaged in closed-door sessions considering the approval of new casinos and the placement of slot machines at race tracks. Opponents of the regulation further question whether the costs in enforcing of these prohibitions really serve the State's interest, particularly at a time when the Massachusetts legislature continues to cut billions of dollars from the state's budget.

Massachusetts is not the first state to try to ban these types of operations. Earlier this year, the Virginia legislature passed legislation designed to crack down on so-called "sweepstakes stores" offering casino-style gambling across Virginia. For Massachusetts business owners, this new ban means shutting down their doors and laying off their employees. For Massachusetts taxpayers, the ban means bearing the burden of financing the enforcement of this prohibition. In this case, there are no real winners.

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