

# FLORIDA HOUSE OF REPRESENTATIVES

## BILL ANALYSIS

*This bill analysis was prepared by nonpartisan committee staff and does not constitute an official statement of legislative intent.*

**BILL #:** [CS/HB 265](#)

**TITLE:** Prohibition of Pyramid Promotional Schemes

**SPONSOR(S):** Chamberlin

**COMPANION BILL:** [SB 712](#) (Yarborough)

**LINKED BILLS:** None

**RELATED BILLS:** None

### Committee References

[Criminal Justice](#)

16 Y, 1 N, As CS

## SUMMARY

### **Effect of the Bill:**

The bill prohibits establishing, promoting, operating, or participating in a pyramid promotional scheme, subject to specified criminal penalties, and requires convicted offenders to pay restitution. The bill defines a “pyramid promotional scheme” to mean, in part, a plan or operation in which a person pays or gives consideration for the right to receive compensation that is primarily based on recruiting other persons into the plan or operation, rather than from the sale and consumption of products, goods, services, or intangible property. The bill specifies that specified plans or operations that comply with specified regulations related to inventory are not prohibited.

### **Fiscal or Economic Impact:**

The bill may have an indeterminate impact on jail and prison beds and the private sector.

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## ANALYSIS

### **EFFECT OF THE BILL:**

The bill repeals the current prohibition against “[pyramid sales schemes](#),” which are punishable as a [lottery](#), and creates a new prohibition against establishing, promoting, operating, or participating in a “pyramid promotional scheme.” (Section [1](#))

The bill defines a “pyramid promotional scheme” to mean a plan or operation in which a person pays or gives consideration for the right to receive compensation that is primarily based on recruiting other persons into the plan or operation, rather than from the sale and consumption of products, goods, services, or intangible property by a participant or other person introduced into the plan or operation. The bill specifies that the term includes a plan or operation in which the number of persons who may participate is limited either expressly or by the application of conditions affecting the eligibility of a person to receive compensation under the plan or operation, or a plan or operation in which a person, upon giving consideration, obtains any products, goods, services, or intangible property in addition to the right to receive compensation. (Section [2](#))

Under the bill, a person may not establish, promote, operate, or participate in a pyramid promotional scheme, even if such person, upon giving consideration, obtains products, goods, services, or intangible property in addition to the right to receive compensation. A person who violates these prohibitions commits a:

- Third degree felony if he or she establishes, promotes, or operates a pyramid promotional scheme.
- First degree misdemeanor if he or she participates in a pyramid promotional scheme. (Section [2](#))

Additionally, the bill requires a court to order a convicted offender to pay [restitution](#) pursuant to [s. 775.089, F.S.](#), which includes expenses incurred in the investigation or prosecution of the offense as well as the disgorgement of any profits realized by a person convicted of the offense. (Section [2](#))

**STORAGE NAME:** h0265.CRM

**DATE:** 1/20/2026

The bill specifies it does not prohibit a plan or operation in which participants give consideration in return for the right to receive compensation based on the purchase of products, goods, services, or intangible property for personal use, consumption, or resale, so long as the plan or operation:

- Does not promote or induce a practice that requires an independent salesperson to purchase inventory in an amount exceeding that which the salesperson can expect to resell for ultimate consumption or consumption in a reasonable time period, or both; and
- Implements a program to repurchase current and marketable inventory from a salesperson which was purchased during his or her business relationship for resale, upon request and pursuant to commercially reasonable terms. Such plan or operation must clearly describe the program in its business recruiting literature, sales manual, or contract with independent salespersons, including the disclosure of inventory that is not eligible for repurchase. (Section [2](#))

The bill provides the following definitions:

- “Compensation” means a payment of any money, thing of value, or financial benefit conferred in return for inducing a person to participate in a pyramid promotional scheme.
- “Consideration” means the payment of money or the purchase of a product, good, service, or intangible property. The term does not include the purchase of a product or service furnished at cost to be used in making a sale and not for resale or any time and effort spent in pursuit of sales or recruiting activities.
- “Participate” means to contribute money into a pyramid promotional scheme without promoting, organizing, or operating such scheme.
- “Inventory” includes products, goods, and services, including company-produced promotional materials, sales aids, and sales kits that the plan or operation requires independent salespersons to purchase.
- “Commercially reasonable terms” means the repurchase of current and marketable inventory within 12 months after the date of purchase at not less than 90 percent of the original net cost, less appropriate setoffs and legal claims, if any.
- “Current and marketable inventory” does not include any inventory that:
  - Is no longer within its commercially reasonable use or shelf-life period;
  - Was clearly described to the salesperson before purchase as being seasonal, discontinued, or special promotional goods, products, or services that are not subject to the inventory repurchase program; or
  - Has been used or opened. (Section [2](#))

The effective date of the bill is July 1, 2026. (Section [3](#))

#### **FISCAL OR ECONOMIC IMPACT:**

##### STATE GOVERNMENT:

The bill may have an indeterminate impact on prison beds. To the extent that the new definition of “pyramid promotional scheme” prohibits certain plans or operations that are not currently prohibited under the existing definition of “pyramid sales scheme,” the bill may increase prison admissions by making promoters or operators of such plans or operations subject to a felony offense. However, because the bill also exempts certain plans or operations from the definition of a “pyramid promotional scheme” when they comply with specified regulations related to inventory, it may also narrow the current prohibition on specified plans and operations, and thus its impact is indeterminate.

##### LOCAL GOVERNMENT:

The bill may have an indeterminate impact on jail beds. To the extent that the new definition of “pyramid promotional scheme” prohibits certain plans or operations that are not currently prohibited under the existing definition of “pyramid sales scheme,” the bill may increase jail admissions by making participants of such plans or operations subject to a misdemeanor offense. However, because the bill also exempts certain plans or operations from the definition of a “pyramid promotional scheme” when they comply with specified regulations related to

inventory, it may also narrow the current prohibition on specified plans and operations, and thus its impact is indeterminate.

#### PRIVATE SECTOR:

The bill may have an indeterminate impact on the private sector, to the extent that the new definition of “pyramid promotional scheme” and related prohibitions impact the ability of specified plans or operations to operate within the state.

## RELEVANT INFORMATION

### SUBJECT OVERVIEW:

#### **Pyramid Promotional Schemes**

According to the Federal Trade Commission (FTC), multi-level marketing, networking marketing, or direct marketing businesses (MLMs), involve selling products to family, friends, and retail customers and recruiting others to do the same.<sup>1</sup> “Legitimate” MLMs sell products to customers who are not involved in the MLM and recruit new participants, who in turn earn commissions based on how much product the participant buys and sells.<sup>2</sup>

However, some MLMs are illegal pyramid schemes in which payment is based primarily on how many new people a participant recruits into the business, rather than how many sales the participant makes.<sup>3</sup> Pyramid schemes encourage participants to continue recruiting people to bring a constant stream of new recruits and money into the business.<sup>4</sup> The FTC warns that pyramid schemes encourage, and may even require, participants to buy a certain amount of product at regular intervals, even if the participant already has more inventory than he or she can use or sell.<sup>5</sup>

#### **Prohibited Lotteries**

Under [s. 849.09\(1\)\(a\)-\(d\), F.S.](#), it is a third degree felony<sup>6</sup> for a person to:

- Set up, promote, or conduct any lottery for money or for anything of value;
- Dispose of any money or other property of any kind whatsoever by means of any lottery;
- Conduct any lottery drawing for the distribution of a prize or prizes by lot or chance, or advertise any such lottery scheme or device in any newspaper or by circulars, posters, pamphlets, radio, telegraph, telephone, or otherwise; or
- Aid or assist in the setting up, promoting, or conducting of any lottery or lottery drawing, whether by writing, printing, or in any other manner whatsoever, or be interested in or connected in any way with any lottery or lottery drawing.

#### **Chain Letters, Pyramid Clubs, and Pyramid Sales Schemes**

Under [s. 849.091, F.S.](#), the organization of any chain letter club, pyramid club, or other group is considered a lottery when it is organized or brought together under any plan or device:

- Where fees, dues, or anything of material value to be paid or given by a member are to be paid or given to other members; and
- Which includes any provision for the increase in membership through a chain process of new members securing other new members and advancing themselves in the group to a position where such members in turn receive fees, dues, or things of material value from other members.

<sup>1</sup> FTC, *Multi-Level Marketing Businesses and Pyramid Schemes*, July 2022 <https://consumer.ftc.gov/articles/multi-level-marketing-businesses-and-pyramid-schemes> (last visited Jan. 20, 2026).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> A third degree felony is punishable by up to five years in prison and a \$5,000 fine. [Ss. 775.082, 775.083](#), or [775.084, F.S.](#)

Participating in a lottery by becoming a member of, affiliating with, or soliciting a person for membership or affiliation in, any club or group described above is a first degree misdemeanor.<sup>7,8</sup>

A “[pyramid sales scheme](#)” is any sales or marketing plan or operation:

- Where a person pays consideration of any kind, or makes an investment of any kind, in excess of \$100 and acquires the opportunity to receive a benefit or thing of value which is not primarily contingent on the volume or quantity of goods, services, or other property sold in bona fide sales to consumers; and
- Which is related to the inducement of additional persons to participate in the same sales or marketing plan or operation.<sup>9</sup>

The terms “consideration” and “investment” do not include time and effort spent in the pursuit of sales or recruiting activities, or the purchase of goods or services furnished at cost for use in making sales, but not for resale.<sup>10</sup>

A pyramid sales scheme is considered a lottery, and as such, a person who:

- Participates in the scheme by becoming a member of, affiliating with, or soliciting a person for membership or affiliation in, any such scheme commits a first degree misdemeanor.
- Promotes, conducts, or assists in the promotion or conduct of such a scheme commits a third degree felony.<sup>11</sup>

**Restitution**

Unless a court finds clear and compelling reasons not to order restitution, [s. 775.089\(1\)\(a\), F.S.](#), requires a court to order a defendant to make restitution to a victim for damage or loss:

- Caused directly or indirectly by the defendant’s offense; and
- Related to the defendant’s criminal episode.

Additionally, if the court places an offender on probation or parole, complete satisfaction of any restitution ordered must be a condition of such sentence. The court may revoke probation, and the Florida Commission on Offender Review may revoke parole, if the offender fails to pay restitution.<sup>12</sup>

**BILL HISTORY**

COMMITTEE REFERENCE	ACTION	DATE	STAFF DIRECTOR/ POLICY CHIEF	ANALYSIS PREPARED BY
<a href="#">Criminal Justice Subcommittee</a>	16 Y, 1 N, As CS	1/20/2026	Hall	Butcher

THE CHANGES ADOPTED BY THE COMMITTEE:

- Revised the definition of “pyramid promotional scheme” to mean a plan or operation in which a person pays or gives consideration for the right to receive compensation that is *primarily* based on recruiting other persons into the plan or operation rather than from the sale and consumption of products, goods, services, or intangible property by a participant or other person introduced into the plan or operation.
- Removed the provisions of the original bill related to civil and administrative penalties for specified pyramid promotional schemes.

<sup>7</sup> [S. 849.091\(1\), F.S.](#)

<sup>8</sup> A first degree misdemeanor is punishable by up to one year in county jail and a \$1,000 fine. [Ss. 775.082](#) and [775.083, F.S.](#)

<sup>9</sup> [S. 849.091\(2\), F.S.](#)

<sup>10</sup> *Id.*

<sup>11</sup> *See, e.g., State v. Croy*, 813 So. 2d 993, 996 (Fla. 5th DCA 2002).

<sup>12</sup> [S. 775.089\(4\), F.S.](#)

**THIS BILL ANALYSIS HAS BEEN UPDATED TO INCORPORATE ALL OF THE CHANGES DESCRIBED ABOVE.**

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