

CHAPTER 1102  
LICENSING

[Prior to 1/14/87, Iowa Lottery Agency[526] Ch 3]  
[Prior to 9/17/03, see 705—Ch 2]

Chapter rescission date pursuant to Iowa Code section 17A.7: 3/26/30

**701—1102.1(99G) Applicant defined.** For purposes of determining whether an applicant is eligible for a license, the term “applicant” includes the owner of a sole proprietorship, all partners or participants in a partnership or joint venture, the officers of a fraternal organization, the officers and directors of a corporation, persons owning at least 10 percent or more of a corporation, persons owning at least 10 percent or more of a limited liability company, the manager or managers of a limited liability company, and any legal entity applying for a license.

This rule is intended to implement Iowa Code sections 99G.9(2) and 99G.24.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.2(99G,252J,272D) Effect of certain state debts.**

**1102.2(1)** The department will deny a license to any applicant who is an individual if the department has received a certificate of noncompliance from Iowa child support services with regard to the individual until the unit furnishes the department with a withdrawal of the certificate of noncompliance.

**1102.2(2)** The department will deny a license to any applicant defined by this chapter if the applicant is substantially delinquent in paying any tax due, or the interest or penalty on the tax due, administered by the department at the time of application or if the applicant has current or previous delinquent liabilities collected by the department. If the applicant is a partnership, a permit may be denied if a partner is substantially delinquent in paying any delinquent tax, penalty, or interest or if a partner has current or previous delinquent liabilities collected by the department. If the applicant is a corporation, a permit may be denied if any officer having a substantial legal or equitable interest in the ownership of the corporation owes any delinquent tax, penalty, or interest or if any officer having a substantial legal or equitable interest in the ownership of the corporation has current or previous delinquent liabilities collected by the department.

This rule is intended to implement Iowa Code sections 99G.7(1), 99G.9(2), 99G.21(2), 99G.24, 252J.8, and 272D.8.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.3(99G,252J) Factors relevant to license issuance.**

**1102.3(1)** The department’s licensing authority under Iowa Code chapter 99G is discretionary. The department may issue a license to any applicant to act as a licensed retailer who meets the eligibility criteria established by Iowa Code chapter 99G and these rules.

**1102.3(2)** In addition to the license eligibility criteria described in Iowa Code section 99G.24, the department will consider the following factors:

- a. The background of the applicant in the community for honesty;
- b. The financial responsibility;
- c. The type of business owned or operated by the applicant to ensure consonance with the dignity of the state, the general welfare of the people, and the operation and integrity of the lottery;
- d. The accuracy of the information supplied in the application for a license;
- e. The applicant’s indebtedness to the state of Iowa, local subdivisions of the state, or the United States government; and, if the applicant is an individual, the applicant’s indebtedness for child support payments as indicated by a certificate of noncompliance from Iowa child support services;
- f. Any other criteria or information the department deems relevant to determining if a license should be issued.

This rule is intended to implement Iowa Code sections 99G.9(2), 99G.21(2), 99G.24(5), 252J.8 and 272D.8.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.4(99G) Financial responsibility.** The department will use the following guidelines when determining whether an applicant seeking a license to sell lottery products or a retailer exhibits adequate financial responsibility.

**1102.4(1) *Sole proprietorship.*** The department will generally consider a sole proprietor to exhibit adequate financial responsibility if the account history for the applicant for the past two years discloses no more than four accounts past due and no accounts over 90 days past due.

**1102.4(2) *Partnership.*** If the applicant is a partnership, 50 percent of the partners must meet the credit guidelines listed in subrule 1102.4(1) to be considered to exhibit adequate financial responsibility.

**1102.4(3) *Fraternal or civic associations.*** If the applicant is a fraternal association, civic organization or other nonprofit entity, the applicant must meet the credit guidelines set forth in subrule 1102.4(1) to be considered to exhibit adequate financial responsibility. If the fraternal association, civic organization, or other nonprofit entity has no credit history or the credit history is incomplete, then the officers of the fraternal association, civic organization, or other nonprofit entity must meet the requirements of subrule 1102.4(1) to be considered to exhibit adequate financial responsibility.

**1102.4(4) *Corporations and limited liability companies in existence two years or more if a credit risk appraisal is available through a financial and credit reporting entity.*** If the license applicant is a corporation or a limited liability company and the corporation or the limited liability company has been in existence for more than two years from the date of the application and a credit risk appraisal is available through a financial and credit reporting entity, the applicant must meet all of the following financial responsibility guidelines to be considered to exhibit adequate financial responsibility:

- a. The applicant is paying 60 percent of its suppliers on time or within terms; and
- b. The applicant possesses a credit risk appraisal provided by a financial and credit reporting entity that indicates the corporation's or limited liability company's financial condition is fair or better.

**1102.4(5) *Corporations and limited liability companies in existence less than two years or if a credit risk appraisal is not available through a financial and credit reporting entity.*** If a corporation has been in existence for less than two years from the date of the application or a credit risk appraisal is not available through a financial and credit reporting entity, the department will review the credit history of the corporate officers who hold 10 percent or more of the stock of the corporation. If a limited liability company has been in existence for less than two years or a credit risk appraisal is not available through a financial and credit reporting entity, the department will review the credit history of the members of a limited liability company who have contributed 10 percent or more to the capital of the limited liability company. Fifty percent or more of the corporate officers or members of the limited liability company must meet the credit guidelines set forth in subrule 1102.4(1) to be considered to exhibit adequate financial responsibility.

**1102.4(6) *Additional considerations.*** If information obtained by the department, when considered as a whole, indicates that the applicant, the retailer, or the applicant's or retailer's business practices are inconsistent with sound financial management or pose a risk to the operation or integrity of the lottery, the department may, in its discretion, determine that an applicant or retailer does not demonstrate the adequate financial responsibility for licensure notwithstanding the guidelines in subrules 1102.4(1) through 1102.4(5).

This rule is intended to implement Iowa Code sections 99G.7, 99G.9(2), 99G.21(2), 99G.24, 99G.30, 252J.2, 252J.8, and 272D.8.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.5(99G) Bonds.**

**1102.5(1) *In general.*** Any applicant or retailer whose credit history does not meet the guidelines described in subrules 1102.4(1) through 1102.4(5) must obtain a bond from a surety company authorized to do business in Iowa or offer a cash bond in the amounts generally described herein. The department may require any other applicant or retailer to obtain a bond if the department determines a bond is necessary to ensure the applicant or retailer remains in compliance with Iowa Code chapter 99G and these rules.

**1102.5(2) *Bond amounts.*** The amount of the bond will vary depending on the type of lottery products sold by the license applicant, the sales history of the retail location or the average volume of sales of lottery products at the location, or a combination of the above factors. The department's authority to require a

bond is discretionary. When the department determines that a bond is necessary, the following minimum amounts will be required:

- a. Sale of pull-tab tickets only, \$2,500.
- b. Sale of instant tickets and scratch tickets with or without pull-tab tickets, \$5,000.
- c. Sale of online games with or without instant tickets, scratch tickets, and pull-tab tickets, \$10,000.

Additional bond amounts or a new bond may be required by the department at any time if the department determines that an existing bond becomes insufficient or the surety thereon becomes unsatisfactory.

**1102.5(3)** *Holding period for bond.* The department will hold the bond provided by a license applicant for a minimum time period of one year. Thereafter, the department will review the credit history of the licensed retailer. If the retailer's account history shows no delinquent payments, the lottery may release the bond.

This rule is intended to implement Iowa Code sections 99G.7, 99G.9(2), 99G.21(2), and 99G.24.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

#### **701—1102.6(99G,252J,272D) Lottery licenses.**

**1102.6(1)** A lottery license authorizes the licensee to sell only the types of lottery products specified on the license. The department has discretion to license a qualified applicant to sell any one or any combination of the following lottery products: scratch tickets, instaplay tickets, pull-tab tickets, and computerized game tickets, if available. The department may condition the ability of a licensee to sell one or more types of lottery products on the applicant's agreement to sell any other lottery product.

**1102.6(2)** Any eligible applicant may apply for a license to act as a retailer by first filing with the department an application form together with any supplements deemed necessary by the department. Supplements may include but are not limited to authorizations to investigate criminal history, financial records and financial resources, and authorizations to allow the division to conduct site surveys.

**1102.6(3)** The application fee for a lottery retail license is \$25. The application fee is nonrefundable.

**1102.6(4)** Retailers who are currently licensed may apply for a license modification to allow the sale of additional lottery products. A current retailer may be required to complete an additional application or application supplements.

**1102.6(5)** The department may waive the payment of any license fee to facilitate an experimental program or a research project.

**1102.6(6)** A limited number of retailers may be selected as licensees from applications received. The selection will be made based on criteria designed to produce the maximum amount of net revenue and serve public convenience. The department may refuse to accept license applications for a period of time if the department determines that the number of existing licensees is adequate to market any lottery product.

**1102.6(7)** The department will grant, deny, or place on hold all applications within 60 days of acceptance of an application. Applications placed on hold are considered denied for purposes of appeal.

If an application is denied because the department has received a certificate of noncompliance from Iowa child support services in regard to an individual, the effective date of denial of the issuance of the license, as specified in the notice issued under Iowa Code section 252J.8, shall be 60 days following service of the notice upon the applicant.

This rule is intended to implement Iowa Code sections 99G.7, 99G.9(2), 99G.21(2), 99G.24, 99G.30, 252J.2, 252J.8, and 272D.8.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

#### **701—1102.7(99G,252J) Provisional licenses.**

**1102.7(1)** The department may issue a provisional license to an applicant for a lottery license after receipt of a fully completed license application, the authorization for a complete personal background check, completion of a credit check, and completion of a preliminary background check. The provisional license expires at the time of issuance of the requested license or 90 days from the date the provisional license was issued, whichever occurs first, unless the provisional license is extended by the department.

**1102.7(2)** Notwithstanding subrule 1102.7(1), the department will deny a provisional license to any applicant who is an individual if the department has received a certificate of noncompliance from Iowa

child support services with regard to the individual unless Iowa child support services furnishes the department with a withdrawal of the certificate of noncompliance. If an application is denied because the department has received a certificate of noncompliance from Iowa child support services in regard to an individual, the effective date of denial of the issuance of the license, as specified in the notice issued under Iowa Code section 252J.8, shall be 60 days following service of the notice upon the applicant.

This rule is intended to implement Iowa Code sections 99G.9(2), 99G.21(2), 99G.24(3), 99G.27, 252J.2, and 252J.8.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.8(99G) Off-premises licenses.** Any retailer may apply for an off-premises license to sell tickets in locations other than that specified on the existing license. The department must specifically approve the geographical area in which sales are to be made and the types of locations at which off-premises sales are to be made prior to issuance of an off-premises license. Additional instructions and restrictions may be specified by the department to govern off-premises sales. An off-premises license expires at the time designated on the off-premises license. An off-premises license may be renewed at the department's discretion.

This rule is intended to implement Iowa Code sections 99G.9(2), 99G.21(2), and 99G.30.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.9(99G) Duplicate licenses.** Upon the loss, mutilation, or destruction of any license issued by the department, a retailer may apply for a duplicate permit. A statement signed by the retailer that details the circumstances under which the license was lost, mutilated, or destroyed may be required by the department.

This rule is intended to implement Iowa Code sections 99G.9(2), 99G.21(2), 99G.24, and 99G.30.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.10(99G) Reporting changes in circumstances of the retailer.** Every change of business structure of a licensed business, such as from a sole proprietorship to a corporation, and every change in the name of a business must be reported to the department prior to the change. Substantial changes in the ownership of a licensed business must also be reported to the department prior to the change. A substantial change of ownership is defined as the transfer of 10 percent or more equity in the licensed business from or to another single individual or legal entity. If a change involves the addition or deletion of one or more existing owners or officers, the licensee shall submit a license application reflecting the change and any other documentation the department may require. All changes will be reviewed by the department to determine if the existing license should be continued.

This rule is intended to implement Iowa Code sections 99G.9(2), 99G.21(2), and 99G.27(1).

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.11(99G) License not a vested right.** The possession of a lottery retailer license issued by the department to act as a retailer in any capacity is a privilege personal to that licensee and is not a legal right. The possession of a lottery license issued by the department to act as a retailer in any capacity does not automatically entitle that licensee to sell tickets or obtain materials for any particular game.

This rule is intended to implement Iowa Code sections 99G.9(2) and 99G.21(2).

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.12(99G,252J,272D) Suspension or revocation of a license.**

**1102.12(1)** In addition to the criteria for suspension or revocation described in Iowa Code section 99G.27, the department may suspend or revoke any license issued pursuant to these rules for one or more of the following reasons:

- a. Failing to meet or maintain the eligibility criteria for license application and issuance established by Iowa Code chapter 99G or these rules.
- b. Failing to file any return or report or to keep records required by the lottery division.

- c. Failing to maintain an acceptable level of financial responsibility as evidenced by the financial condition of the business, incidents of failure to pay taxes or other debts, or by the giving of financial instruments that are dishonored or electronic funds transfers that are not paid.
- d. If public convenience is adequately served by other licensees.
- e. A history of thefts or other forms of losses of tickets or revenue from the business.
- f. Violating federal, state, or local law or allowing the violation of any of these laws on premises occupied by or controlled by any person over whom the retailer has substantial control.
- g. Obtaining a license by fraud, misrepresentation, concealment or through inadvertence or mistake.
- h. Making a misrepresentation of fact to the commission or department on any report, record, application form, or questionnaire that is submitted to the commission or department.
- i. Denying the division or its authorized representative, including authorized local law enforcement agencies, access to any place where a licensed activity is conducted.
- j. Failing to promptly produce for inspection or audit any book, record, document, or other item required to be produced by law, these rules, or the terms of the license.
- k. Systematically pursuing economic gain in an occupational manner or context that is in violation of the criminal or civil public policy of this state if such pursuit creates cause to believe that the participation of such person in these activities is inimical to the proper operation of an authorized lottery.
- l. Failing to follow the instructions or security procedures of the division for the management of personnel, handling of tickets, or the conduct of any particular game or special event.
- m. Making a misrepresentation of fact to a purchaser, or prospective purchaser, of a ticket or to the general public with respect to the conduct of a particular game or special event.
- n. For a licensee who is an individual, when the department receives a certificate of noncompliance from the child support recovery unit in regard to the licensee unless the unit furnishes the department with a withdrawal of the certificate of noncompliance.
- o. Allowing activities on the licensed premises that could compromise the dignity of the state.

**1102.12(2)** The effective date of revocation or suspension of a license as specified in the notice issued under Iowa Code section 252J.8 is 60 days following service of the notice upon the licensee. The effective date for all other notices of revocation or suspension is 20 days following service upon a licensee.

**1102.12(3)** If a retailer's license is suspended for more than 180 days from the effective date of the suspension, the department will revoke the retailer's license upon 15 days' notice served in conformance with rule 701—1102.11(99G,252J,272D).

**1102.12(4)** Upon suspicion that a retailer has sold a ticket to an underage player, the department will investigate and provide a written warning to the retailer describing the report of the event and of the potential violation of Iowa Code section 99G.30(3). In the event a retailer sells a ticket to an underage player and the department can substantiate the claim, the department will suspend the retailer's license for seven days. When a retailer sells a ticket to an underage player and the department can substantiate the claim a second time in a period of one year from the date of the first event, the department will suspend the retailer's license for a period of 30 days. When a retailer sells a ticket to an underage player and the department can substantiate the claim a third time in a period of one year from the date of the first event as described in this rule, the retailer's license will be suspended for one year.

**1102.12(5)** Upon revocation or suspension of a retailer's license of 30 days or longer, the retailer will surrender to the department, by a date designated by the department, the license, lottery identification card, and all other lottery property. The department will settle the retailer's account as if the retailer had terminated its relationship with the department voluntarily.

This rule is intended to implement Iowa Code sections 99G.9(2), 99G.21(2), 99G.24, 99G.27, 99G.30(3), 99G.35, 252J.8, and 272D.8(2).

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.13(99G,252J,272D) Methods of service.**

**1102.13(1)** The notice issued under Iowa Code section 252J.8 will be served upon the licensee by certified mail restricted delivery, return receipt requested, or personal service in accordance with Iowa Rule of Civil Procedure 1.305. Alternatively, the licensee may accept service personally or through authorized counsel.

**1102.13(2)** Notice of a license revocation or a suspension for the reasons described in Iowa Code section 99G.27 or rule 701—1102.12(99G,252J,272D) will be served upon the licensee by certified mail restricted delivery, return receipt requested, or personal service in accordance with Iowa Rule of Civil Procedure 1.305. Alternatively, the licensee may accept service personally or through authorized counsel. The notice will set forth the reasons for the suspension or revocation and provide for an opportunity for a hearing. If requested by the licensee, a hearing on the suspension or revocation will be held within 180 days after the notice has been served.

This rule is intended to implement Iowa Code sections 99G.9(2), 99G.21(2), 99G.24(7), 252J.8, and 272D.8.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.14(99G,252J,272D) Licensee's obligation.** Licensees and license applicants must keep the lottery informed of all court actions and all child support recovery unit actions taken under or in connection with Iowa Code chapter 252J. Licensees and applicants must also provide the department with copies, within seven days of filing or issuance, of all applications filed with the district court pursuant to Iowa Code section 252J.9 or 272D.9, any final court orders entered in such actions, and any withdrawals of certificates of noncompliance by the child support recovery unit.

This rule is intended to implement Iowa Code sections 99G.9(2), 99G.21(2), 252J.8, and 272D.8.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

**701—1102.15(99G,252J,272D) Calculating the effective date.** In the event a licensee or applicant files a timely district court action following service of a notice pursuant to Iowa Code sections 252J.8 and 252J.9, the department will continue with the intended action described in the notice upon the receipt of a court order lifting the stay, dismissing the action, or otherwise directing the department to proceed. For purposes of determining the effective date of a revocation or suspension of a license, or a denial of the issuance or renewal of a license, the department will count the number of days before the action was filed and the number of days after the action was disposed of by the court.

This rule is intended to implement Iowa Code sections 99G.9(2), 99G.21(2), 252J.8, 252J.9, 272D.8, and 272D.9.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]

[Filed ARC 8918C (Notice ARC 8349C, IAB 11/13/24), IAB 2/19/25, effective 3/26/25]