



[HF 748](#) – Sports Betting and Fantasy Sports (LSB2452HZ)
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Fiscal Note Version – New

Description

[House File 748](#) authorizes sports gambling and betting, including sports betting and fantasy sports contests in the State of Iowa; provides for taxes and fees; and establishes penalties.

Division I

Division I of [HF 748](#) relates to the authorization and licensing of sports betting and advance deposit sports betting wagering. The Bill defines “sports betting” as the acceptance of wagers on an authorized sporting event by any system of betting as authorized by the Iowa Racing and Gaming Commission (IRGC), and defines “advance deposit sports betting wagering” as a method of sports betting in which an eligible individual may deposit moneys into an established account and use the account balance for sports betting. An “authorized sporting event” includes a professional or collegiate sporting event, or an international team or individual sporting event governed by the International Olympic Committee (IOC). Internet fantasy sports contests and dog and horse racing are explicitly excluded from the definition of “authorized sporting event.” Sports betting also excludes placing a wager on the performance or nonperformance of an individual athlete participating in a single game or match of a collegiate sporting event in which a collegiate team from this State is participating, and excludes placing a wager on the performance of athletes in an international individual sporting event governed by the IOC in which any participant is under the age of 18.

The IRGC is tasked with adopting rules, including emergency rules if necessary, and standards under which sports betting may occur, including identifying the scope and type of wagers allowed, identifying occupations within sports betting that require licensing, and adopting standards for licensing and background qualifications for occupations including establishing fees for an occupational license. All revenue received by the IRGC from regulatory fees is deposited in the Gaming Regulatory Revolving Fund. The IRGC is also tasked with reviewing licensee reports on any criminal or disciplinary proceedings commenced against the licensee or its employees. The IRGC is required to share any information received regarding criminal behavior commenced in connection with sports betting activity to the Division of Criminal Investigation (DCI) of the Department of Public Safety (DPS). The IRGC may also share such information with any sports team or sports governing body as the IRGC deems appropriate, provided the sharing of such information does not interfere with an ongoing investigation.

Under current Iowa law, individuals under the age of 21 are prohibited from participating in gaming activity but may work as employees of a licensed gaming entity at the age of 18. [House File 748](#) conforms sports betting and Internet fantasy sports contest participant rules to current law.

Division I of [HF 748](#) establishes an initial licensing fee of \$15,000 and annual licensing renewal fee of \$15,000 for any gaming entity wishing to conduct sports betting and advance deposit sports betting wagering on a telephone-type device or by any other electronic means. License

fees are deposited into the General Fund. The Division requires a licensee to include the statewide telephone number authorized by the Iowa Department of Public Health (DPH) to provide problem gambling information to be listed on the advance deposit sports betting wagering Internet site or mobile application. Sports betting rules must be clearly displaying the area of a gaming entity where sports betting occurs. An individual wishing to participate in advance deposit sports betting wagering may establish an account with a licensee. Until January 1, 2021, all such applications to establish an account must occur in person at a licensed gaming entity. All licensees that have been granted a license to conduct sports betting are required to take reasonable steps to prohibit coaches, athletic trainers, officials, players, or other individuals who participate in authorized sporting events subject to sports betting from participating in such wagers.

[House File 748](#) amends the definition of “adjusted gross receipts” to include gross receipts less winnings paid to wagerers on gambling games. “Sports betting net receipts” are defined as gross receipts less winnings paid to wagerers on sports betting. The Bill establishes a 6.75% tax rate on net receipts in new Iowa Code section 99F.11(4). Of this percentage, 0.25% of sports betting net receipts will be appropriated to the DPH for purposes of the Iowa Gambling Treatment Program. The remaining revenue collected from the wagering tax on sports betting net receipts will be deposited in the Rebuild Iowa Infrastructure Fund (RIIF).

The Bill also requires a licensee who conducts pari-mutuel dog or horse racing to use receipts from gambling games and sports betting to support the horse racing industry and to supplement purses for races, particularly for Iowa-bred horses subject to agreements between a licensee and representatives of dog or horse owners. Current law provides that agreements concerning purses for horse racing must provide that total annual purses for all horse racing must be no less than 11.0% of the first \$200 million net receipts, and 6.0% of net receipts above \$200 million.

[House File 748](#) allows individuals to voluntarily exclude themselves from advance deposit wagering, from advance deposit sports betting wagering, and from the gaming floor and sports betting wagering area of a licensed gambling facility.

Division II

[House File 748](#) allows the addition of “fantasy sports contests” and “Internet fantasy sports contests” as legally recognized forms of gaming activity. “Fantasy sports contests” are defined as any fantasy or simulated games or contests in which the following apply:

- The fantasy sports contest operator is not a participant in the game or contest.
- The value of all prizes and awards offered are known to contest participants in advance.
- All winning outcomes reflect the relative knowledge and skill of participants and are determined by statistical results of the performance of individuals, including athletes in the case of sporting events.
- No winning outcome is based solely on the score, point spread, or any performance(s) of any single actual team or solely on any single performance of an individual athlete or player in any single actual event.

“Internet fantasy sports contests” are defined as a method of entering a fantasy sports contest by which a person may establish an account with an Internet fantasy sports contest service provider, deposit money into the account, and use the account balance for entering a fantasy sports contest by utilizing electronic communication. “Internet fantasy sports contest service provider” means an individual, including a licensee under Iowa Code chapter [99D](#) or [99E](#), who conducts Internet fantasy sports contests.

The Bill grants the IRGC the authority to supervise and have full jurisdiction over all Internet fantasy sports contests and Internet fantasy sports contest service providers, including establishing rules. An applicant for an Internet fantasy sports contest service provider license who knowingly submits an application containing false statements commits an aggravated misdemeanor. The IRGC may deny an application for a license based on criteria specified in the Bill.

Division II of [HF 748](#) establishes an initial licensing fee of \$5,000 and licensing renewal fee of \$5,000 for any gaming entity wishing to conduct Internet fantasy sports contests. The initial license is valid for no more than three years. Licensing fees will be deposited into the Gaming Regulatory Fund. Moneys collected by the IRGC for Internet fantasy sports contest service provider renewal fees are considered repayment receipts pursuant to Iowa Code section [8.2](#).

[House File 748](#) also establishes a transitional license for an individual or entity that has been granted a license or registration by two or more states to conduct Internet fantasy sports contests, subject to the requirements of new Iowa Code chapter 99E. The transitional license will be valid until the earlier date of when the IRGC grants or denies an Internet fantasy sports contest service provider application, or 12 months after the date the IRGC accepts issuances of licenses to conduct Internet fantasy sports contests under new Iowa Code section 99E.5.

[House File 748](#) also requires the IRGC to request a background check and fingerprints to be submitted to the Federal Bureau of Investigation by the DPS. The IRGC may charge a license applicant a fee set by the DCI of the DPS to recover costs related to fingerprints and background check requirements. If an additional investigation is required, the IRGC may charge the license applicant with the associated costs. These costs and fees are considered to be repayment receipts and may be retained by the DCI. Regulatory fees will be deposited in the Gaming Regulatory Revolving Fund. A licensed Internet fantasy sports contest service provider will receive a credit for the amount of the license and regulatory fees paid by the service provider against the taxes to be paid as required by the Bill.

Upon approval of a license application, an Internet fantasy sports contest service provider must meet the following requirements:

- Prevent employees of the Internet fantasy sports contest service provider and relatives living in the same household of such employees from competing in any Internet fantasy sports contest on the service provider's digital platform in which a cash prize is offered.
- Verify that participants in Internet fantasy sports contests in the State of Iowa are age 21 or over.
- Ensure that coaches, officials, players, contestants, or other participants in a contest that is the subject of an Internet fantasy sports contest are restricted from entering into an Internet fantasy sports contest in which the outcome is determined, in whole or part, by accumulated statistical results of a team of individuals in a game or contest in which they participate.
- Allow individuals to voluntarily restrict and exclude themselves from entering into an Internet fantasy sports contest upon request and with support from the Internet fantasy sports contest service provider.
- Allow individuals to establish an electronic account with an Internet fantasy sports contest service provider.
- Disclose the number of entries an individual Internet fantasy sports contest player may submit for each contest and take reasonable steps to prevent players from submitting more than the allowable number of entries for a single contest.

- Segregate Internet fantasy sports contest player funds from operational funds or maintain a reserve in the amount of the deposits in individual player accounts for the benefit and protection of Internet fantasy sports contest player funds.
- Conduct an annual audit.
- Pay the required tax.

The Bill establishes a civil penalty for any individual who willfully fails to comply with the above requirements or any other rules established by the IRGC. The civil penalty charged totals \$1,000 per individual violation but is not to exceed \$10,000 for violations arising out of the same transaction. Additionally, for violations relating to entering an Internet fantasy sports contest under the age of 21, a scheduled fine of \$500 is charged. Finally, the IRGC is authorized to revoke the license of any individual who fails to comply with new Iowa Code section 99E.4.

Division II of [HF 748](#) also establishes the definition of “Internet fantasy sports contest adjusted revenues” as the amount equal to the total charges and fees collected from all participants entering into an Internet fantasy sports contest less the winnings paid to participants in the contest, multiplied by a location percentage. The location percentage is defined as the percentage, rounded to the nearest tenth of a percent, equal to the total charges and fees collected from all Internet fantasy sports contest players located in the State of Iowa divided by the total charges and fees collected from all participants in the Internet fantasy sports contest.

The Bill establishes a 6.75% tax rate on Internet fantasy sports contest adjusted revenues. Of this percentage, 0.25% of Internet fantasy sports contest adjusted revenues will be allocated to the DPH for purposes of the Iowa Gambling Treatment Program. The remainder of Internet fantasy sports contest adjusted revenues will be deposited in the RIIF.

[House File 748](#) allows individuals to voluntarily exclude themselves from Internet fantasy sports contests as defined in the Bill, including from the gaming floor.

Division III

Division III of [House File 748](#) amends existing Code language to include a definition of “social fantasy sports contests” to mean any fantasy or simulated game or contest in which the following apply:

- The value of all prizes and awards offered are known to contest participants in advance and do not exceed a total of \$1,000 or equivalent consideration.
- All winning outcomes reflect the relative knowledge and skill of participants and are determined by the accumulated statistical results of the performance of individuals in events occurring over more than a 24-hour period, including athletes in the case of sporting events.
- No winning outcome is based on the score, point spread, or any performance(s) of any single actual team or solely on any single performance of an individual athlete or player in any single actual event.

“Social fantasy sports contests” do not include Internet fantasy sports contests as defined in Division II of the Bill.

Additionally, Division III amends the distribution of purse moneys designated for live thoroughbred and quarter horse racing pursuant to Iowa Code section [99D.7](#). Two percent of these purse moneys will be distributed to an organization representing owners of thoroughbred and quarter race horses for the purposes of paying annual operations, promotion and marketing of Iowa-bred horses, benevolence, horse aftercare, breeder promotions and awards, and improvements to the horse racetrack in Polk County.

Background

The State of Iowa permits individuals 21 years of age or older to take part in gambling games and related activities. Each gambling licensee must collect debts owed to the State from persons participating in gambling activity. Under current law, a single occurrence win equal to or greater than \$1,200 is considered a taxable event and subject to outstanding debt collection. The amount of the debt constitutes a valid lien against the winnings of the person and is collected from the winnings. Each licensee is provided electronic access to the names of persons indebted to the State for purposes of this setoff procedure. The setoff procedure is conducted by the Department of Administrative Services (DAS). The DAS also charges a \$7 administrative fee for the setoff procedure. Delinquent debt and past due taxes are deposited in the General Fund in the fiscal year collected.

The IRGC currently regulates and supervises all gaming institutions in the State of Iowa, investigating any violations of current law or the Commission's rules. The IRGC also acts as the primary licensing entity for such institutions. Under [HF 748](#), the IRGC will have full jurisdiction over and will supervise sports betting activity and sports betting license holders, and Internet fantasy sports contests and Internet fantasy sports contest service providers. The IRGC will also establish administrative rules related to both sports betting and Internet fantasy sports contests.

An aggravated misdemeanor is punishable by confinement for no more than two years and a fine of at least \$625 but no more than \$6,250.

Assumptions

Division I

- According to a 2017 study completed by Global Market Advisors, approximately 28.0% of all U.S. adults (individuals over the age of 18) participate in sports betting. [House File 748](#) only authorizes sports betting to be available to individuals 21 years of age or older.
- Iowa has a population of approximately 3.16 million people. According to the most recent census data, 72.7% of Iowans are age 21 or over. Extrapolating this data leads to the assumption that approximately 2.3 million Iowans are eligible to participate in sports betting.
- Using national data provided by Ernst and Young, an individual participant 18 years of age or older spends an annual average amount of approximately \$1,626 on sports betting.¹ This estimate is based on the most recent data available and is adjusted for inflation.
- On average, 95.0% of a sports betting handle (the total amount wagered by all participants) is paid out to winners. The remaining 5.0% of the handle is retained by the authorized sports betting licensee and subject to taxation.
- [House File 748](#) requires all tax revenue received from participation in sports betting activity to be deposited in the RIIF.
- Requires an amount equal to 0.25% of sports betting net receipts to be allocated to the DPH for purposes of the Iowa Gambling Treatment Program.
- The IRGC will charge an initial fee of \$15,000 per license to conduct sports betting. A licensee may renew the license at a renewal fee of \$15,000. These fees would be deposited into the General Fund.
- The DPS charges a deposit fee to any company pursuing a gambling license in the State of Iowa. This deposit fee covers travel and accommodations for an investigator and may

¹ www.americangaming.org/wp-content/uploads/2018/12/AGA-Oxford-Sports-Betting-Economic-Impact-Report1-1.pdf

range up to \$5,000 depending on the location of the applicant. An authorized sports betting licensee will be subject to the same investigation.

Division II

- According to national data provided by the Bloomberg Bureau of National Affairs, an individual participant 18 years of age or older spends an annual average amount of approximately \$333 on Internet fantasy sports contests. This estimate is based on the most recent data available and is adjusted for inflation.²
- Iowa has a population of approximately 3.16 million people. According to the most recent census data, 72.7% of Iowans are age 21 or over. Extrapolating this data leads to the assumption that approximately 2.3 million Iowans are eligible to participate in Internet fantasy sports contests.
- Total annual gross receipts as collected by an Internet fantasy sports contest service provider are comprised of all entry fees and charges collected annually. On average, 88.0% to 90.0% of this revenue is paid out as prizes and winnings. The remaining 10.0% to 12.0% of revenue is retained by the Internet fantasy sports contest service provider.
- Moneys that are held by the Internet fantasy sports contest service provider as winnings to contest participants will be adjusted by a location percentage (multiplier) based on the total number of Iowa residents participating in the Internet fantasy sports contest.
- The Bill requires all tax revenue received from participation in Internet fantasy sports contests and adjusted for location percentage to be deposited in the RIIF.
- Requires an amount equal to 0.25% of Internet fantasy sports contest adjusted revenues to be allocated to the DPH for purposes of the Iowa Gambling Treatment Program.
- The IRGC will charge an initial fee of \$5,000 per license to conduct Internet fantasy sports contests. The license is valid for an initial period of three years. A licensee will renew the license at a renewal fee of \$5,000. The fees will be deposited into the Gaming Regulatory Revolving Fund.
- The DPS charges a deposit fee to any company pursuing a gambling license in the State of Iowa. This deposit fee covers travel and accommodations for an investigator and may range up to \$5,000 depending on the location of the applicant. An Internet fantasy sports contest service provider will be subject to the same investigation.

Correctional Impact

- [House File 748](#) establishes the willful failure to comply with the Internet fantasy sports contest service provider license requirements set forth in the Bill as an aggravated misdemeanor.
- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay; revocation rates; plea bargaining; and other criminal justice system policies and practices.
- A lag effect of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.

² www.bna.com/extras-excise-four-b57982087887

Effective Dates

Divisions I and II are effective upon enactment. Division III is effective on July 1, 2019.

Summary of Impacts

Correctional Impact

The correctional impact of [HF 748](#) cannot be determined. The Bill establishes a new criminal offense, and the number of convictions cannot be estimated. **Table 1** below shows estimates for sentencing to State prison, parole, probation, or community-based corrections (CBC) residential facilities; length of stay (LOS) under those supervisors; and supervision marginal costs per day for convictions of aggravated misdemeanors. Please refer to the Legislative Services Agency memo addressed to the General Assembly, [Correctional Impact Memo](#), dated January 8, 2019, for information related to the correctional system.

Table 1 — Sentencing Estimates and LOS

Conviction Offense Class	Percent to Prison	FY 18 Avg Length of Stay Prison (months)	FY 18 Marginal Cost/Day Prison	Percent to Probation	FY 18 Avg Length of Stay Probation (months)	FY 18 Avg Cost/Day Probation	Percent to CBC	FY 18 Marginal Cost/Day CBC	FY 18 Avg Length of Stay Parole (months)	FY 18 Marginal Cost/Day Parole	Percent to County Jail	Marginal Cost/Day
Aggravated Misdemeanor (Non-Persons)	34.0%	6.7	\$19.93	53.0%	20	\$5.38	4.0%	\$11.85	5.9	\$5.38	68.0%	\$50.00

The fiscal impact associated with the newly established criminal offense and the resulting cost to the justice system cannot be estimated. **Table 2** shows estimates for the average State cost for an aggravated misdemeanor. The estimates include operating costs incurred by the Judicial Branch, the State Public Defender, and the Department of Corrections for one additional conviction. The cost would be incurred across multiple fiscal years for prison and parole supervision.

Table 2 — Average State Cost Per Offense Type

Offense Class	Total Minimum Cost	Total Maximum Cost
Aggravated Misdemeanor (Non-Persons)	\$4,700	\$7,500

It is likely that some revenue may be generated from the criminal fines associated with the conviction of an aggravated misdemeanor, as mentioned in the Background section of this Fiscal Note, but such fiscal impact is expected to be minimal.

Minority Impact

The minority impact of [HF 748](#) is unknown. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 7, 2019, for information related to minorities in the criminal justice system.

Fiscal Impact

Iowa Racing and Gaming Commission

In order to fulfill the regulatory and licensing requirements established in [HF 748](#) for both sports betting and Internet fantasy sports contests, the IRGC estimates that it will need to hire 3.0 additional full-time equivalent (FTE) positions to accommodate the increase in supervisory

duties resulting from authorizing entities to participate in such gaming activity. The IRGC will need to hire one management position to act as a public service executive, one auditor position, and one administrative assistant position. Cost estimates for these positions are displayed in **Table 3** below. Additionally, the IRGC states that it will likely see an increase in training costs.

Table 3 — Regulatory and Licensing Related Estimated Costs, IRGC

Position	FTEs	Cost
Management Position	1.0	\$ 200,000
Auditor	1.0	107,000
Administrative Assistant	1.0	85,000
	Subtotal	\$ 392,000
Existing Budget		-117,000
	Total	\$ 275,000

The IRGC estimates that \$117,000 is available in its existing budget to cover part of the total cost related to implementing [HF 748](#), including the increase in training costs. The IRGC estimates an increase in expenses of \$275,000 for FY 2020. The increase in expenses will be funded by IRGC billings to the gaming industry. These billings, or regulatory fees, are deposited in the Gaming Regulatory Revolving Fund.

Licensing Revenue

It is difficult to estimate the number of applicants that may attempt to obtain a sports betting or Internet fantasy sports contest service provider license as a result of the authorization of such gaming activity by [HF 748](#). The IRGC estimates that all of the 19 gaming entities existing in Iowa will apply for a sports betting license, and that approximately 5 to 15 licensees will apply to conduct Internet fantasy sports contests.

Should all 19 applicants be authorized to conduct sports betting in the State of Iowa, a total of approximately \$285,000 (19 licenses at \$15,000 each) in initial license fees would be collected and deposited in the General Fund. Licensing renewal fees would be collected in future years at a total of \$15,000 per licensee. If 5 to 15 applicants are approved to conduct Internet fantasy sports contests in the State, a total of approximately \$25,000 to \$75,000 in licensing fees would be collected (5 to 15 licenses at \$5,000 each). The annual licensing fees for Internet fantasy sports contest service providers will be deposited into the Gaming Regulatory Revolving Fund. An Internet fantasy sports contest service provider license is valid for up to three years, at which time a renewal fee of \$5,000 will be charged. Moneys collected by the IRGC for Internet fantasy sports contest provider renewal fees are considered repayment receipts pursuant to Iowa Code section [8.2](#).

Department of Public Safety (DPS)

The DPS estimates that in order to fulfill the regulatory and investigative requirements set out in [HF 748](#) for both sports betting and Internet fantasy sports contests, it would need to hire 5.0 additional FTE positions, including one special agent in charge, three special agent 2s, and one financial analyst with accounting experience. Additionally, the DPS estimates that each special agent position would incur equipment costs of \$43,902 per position. The DPS also estimates that at least \$50,000 would need to be appropriated toward updating existing training procedures to accommodate changes to investigative procedures. The estimated costs of all positions and training are displayed in **Table 4** below.

Table 4 — Regulatory and Investigation-Related Estimated Costs, DPS

Position	FTEs	Cost Per FTE	Equipment Cost	Total
Special Agent in Charge	1.0	\$ 126,755	\$ 43,902	\$ 170,657
Special Agent 2	3.0	\$ 91,974	\$ 131,706	\$ 407,628
Financial Analyst	1.0	\$ 90,000	—	\$ 90,000
Other				
Training Costs				\$ 50,000
			Total Cost	\$ 718,285

For FY 2020, the DPS estimates an increased need of funding from the Gaming Enforcement Revolving Fund to cover the expenses associated with [HF 748](#).

Department of Public Health (DPH)

As a result of the authorization of both sports betting and Internet fantasy sports contests, the DPH estimates it will see an increase in gambling addiction treatment program admissions. For FY 2020, the DPH estimates an increase of 13 admissions to the Iowa Gambling Treatment Program, which reflects an increase of 50.0% in admissions compared to FY 2018. The DPH also states that it will need to update existing training materials, public service announcement campaigns, and the problem gambling survey to accommodate the addition of sports betting and Internet fantasy sports contests as legal forms of gaming in Iowa. A summary of the costs arising out of these changes is displayed in **Table 5** below.

Table 5 — Treatment Program and Related Update Estimated Costs, DPH

FY 2020 Costs	Cost Per Admission	New Admissions (Est.)	Total Cost
Treatment Program	\$ 1,010	13	\$ 13,130
Training/Materials			\$ 10,000
Public Service Announcement Campaign Update			75,000
Internal Data System Update			30,000
Problem Gambling Survey Update			5,000
		Total	\$ 133,130

According to the DPH, these costs can be absorbed by its existing budget and will not have a fiscal impact on the State General Fund in FY 2020.

State Tax Revenue, Sports Betting

Table 6 shows potential tax revenue estimates resulting from authorizing sports betting in the State of Iowa, based on percentages of potential participation.

Table 6 — State Tax Revenue Estimates, Sports Betting

Total Eligible Population Participation Assumption	Total Players	Average Amount Wagered Annually	Total Wagered	5.0% Payout (Casino Revenue)	Tax Rate	Tax Revenue	Revenue to Department of Public Health	Revenue to RIF
5.0%	114,726	\$ 1,626	\$ 186,544,476	\$ 9,327,224	6.75%	\$ 629,588	\$ 23,318	\$ 606,270
7.0%	160,616	\$ 1,626	\$ 261,161,616	\$ 13,058,081	6.75%	\$ 881,420	\$ 32,645	\$ 848,775
10.0%	229,452	\$ 1,626	\$ 373,088,952	\$ 18,654,448	6.75%	\$ 1,259,175	\$ 46,636	\$ 1,212,539
12.0%	275,342	\$ 1,626	\$ 447,706,092	\$ 22,385,305	6.75%	\$ 1,511,008	\$ 55,963	\$ 1,455,045
15.0%	344,178	\$ 1,626	\$ 559,633,428	\$ 27,981,671	6.75%	\$ 1,888,763	\$ 69,954	\$ 1,818,809

The revenue estimate includes the 6.75% gaming revenue tax rate established in [HF 748](#), as well as the allocation of 0.25% to the DPH. Depending on the level of participation of sports betting, the revenue increase to the RIF is estimated to range from \$606,000 to \$1.8 million. In addition, the estimated revenues allocated to the DPH for gambling treatment will range from \$23,000 to \$70,000.

Additionally, licensed gaming entities that offer sports betting are required to pay a federal excise tax of 0.25%. **Table 7** below shows the amount of excise tax that would be paid based on the above participation rates. It should be noted that the excise tax would be applied to the entire amount of casino or gaming entity revenue.

Table 7 — Estimated Excise Tax Calculations, Sports Betting

Total Eligible Population Participation Assumption	Total Handle	Federal Excise Tax	Payment to Federal Government
5.0%	\$ 186,544,476	0.25%	\$ 466,361
7.0%	\$ 261,161,616	0.25%	\$ 652,904
10.0%	\$ 373,088,952	0.25%	\$ 932,722
12.0%	\$ 447,706,092	0.25%	\$ 1,119,265
15.0%	\$ 559,633,428	0.25%	\$ 1,399,084

State Tax Revenue, Internet Fantasy Sports Contests

Table 8 displays potential tax revenue estimates resulting from authorizing Internet fantasy sports contests in the State of Iowa, based on percentages of potential participation. Please note that the data in **Table 8** has already been adjusted by the location multiplier as is required in Division II of [HF 748](#). The location multiplier is incorporated into the participation percentage assumptions listed in **Table 8**.

Table 8 — State Tax Revenue Estimates, Internet Fantasy Sports Contests

Total Eligible Population Participation Assumption	Total Participants	Average Annual Entry Fee Per Contest	Total Entry Fees Collected	Total Taxable Amount	Tax Rate	Tax Revenue	Revenue to Department of Public Health	Revenue to RIF
5.0%	114,726	\$333	\$ 38,203,758	\$ 3,820,376	6.75%	\$257,875	\$ 9,551	\$ 248,324
7.0%	160,616	\$333	\$ 53,485,128	\$ 5,348,513	6.75%	\$361,025	\$ 13,371	\$ 347,653
10.0%	229,452	\$333	\$ 76,407,516	\$ 7,640,752	6.75%	\$515,751	\$ 19,102	\$ 496,649
12.0%	275,342	\$333	\$ 91,688,886	\$ 9,168,889	6.75%	\$618,900	\$ 22,922	\$ 595,978
15.0%	344,178	\$333	\$ 114,611,274	\$ 11,461,127	6.75%	\$773,626	\$ 28,653	\$ 744,973

The revenue estimate includes the 6.75% gaming revenue tax rate established in [HF 748](#), as well as the allocation of 0.25% of adjusted revenue to the DPH. Depending on the level of participation of Internet fantasy sports contests, the revenue increase to the RIF is estimated to range from \$248,000 to \$745,000. In addition, the estimated revenues allocated to the DPH for gambling treatment will range from \$10,000 to \$29,000. These funds will be deposited into the RIF.

Depending on the level of participation, the fiscal impact of [HF 748](#) may range from \$1.2 million to \$3.0 million annually. **Table 9** displays the revenue impact on the RIF, the General Fund, the Gaming Regulatory Revolving Fund, and the Department of Public Health. Note that the tax revenue generated from Internet fantasy sports contests will be reduced by the tax credit an entity receives for license and regulatory fees. However, the amount of the tax credit cannot be estimated at this time.

Table 9 — Summary of [HF 748](#) State Tax Revenue Estimates

	Sports Wagering		Fantasy Sports		License Fees		Total Revenue	
	Low	High	Low	High	Low	High	Low	High
RIF	\$606,000	\$1,800,000	\$248,000	\$745,000	\$ 0	\$ 0	\$ 854,000	\$2,545,000
General Fund	0	0	0	0	285,000	285,000	285,000	285,000
Gaming Revolving Fund	0	0	0	0	25,000	75,000	0	0
DPH	23,000	70,000	10,000	28,700	0	0	33,000	98,700
Total Revenue	\$629,000	\$1,870,000	\$258,000	\$773,700	\$ 310,000	\$ 360,000	\$1,172,000	\$2,928,700

Offset Revenue

Several factors must be considered to estimate potential General Fund revenue resulting from DAS setoff procedures. Beginning in FY 2020, participants in sports betting and Internet fantasy sports contests who attempt to draw winnings of \$1,200 or more out of the individual's electronic account would be eligible to be referenced against the existing database of names of individuals who owe the State of Iowa money for various reasons, including unpaid income tax, child support, or other State debts. Should a participant owe a debt to the State, the total amount owed would be withdrawn from any winnings prior to any payout. Moneys collected through this setoff procedure are deposited into the General Fund. According to the DAS, it is not possible to estimate the fiscal impact of revenue collected from offset procedures as a result of authorizing sports betting and Internet fantasy sports contests.

Sources

Iowa Racing and Gaming Commission, Department of Inspections and Appeals
Division of Criminal and Juvenile Justice Planning, Department of Human Rights
Department of Revenue
Department of Public Safety
Department of Administrative Services
Department of Public Health
LSA analysis and calculations

/s/ Holly M. Lyons

April 18, 2019

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
