



[HF 2196](#) – Sports Wagering Debt Offset (LSB5605HV)
Staff Contact: Angel Banks-Adams (515.281.6301) angel.banks-adams@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 2196](#) requires that all winnings reported on Internal Revenue Service (IRS) Form W-2G be applied to the full amount of debt owed by the individual who wins money on a wager at a racetrack, excursion gambling boat, or at a gambling structure.

Background

Iowa Code section [8A.504](#) permits the Department of Administrative Services to recover delinquent payments owed to State and political subdivisions by withholding payments that would otherwise be paid to individuals and vendors. The Department then applies the moneys toward the debt the individual owes to the State of Iowa or local governments, after charging a \$7 administrative fee for costs incurred to the agency requesting placement of the debt into the setoff program. The administrative fee, which is deducted from the gross proceeds collected through the program, covers salaries, supplies, equipment, and system modification and development costs, and indirect costs such as office space, security, and utility costs. Some of the debt types recovered are child support, court fees and restitution, State individual income taxes, and fees for traffic citations.

Under Iowa Code sections [99D.28](#) and [99F.19](#), a debtor who wins money on a wager at a racetrack, excursion gambling boat, or gambling structure in the State is subject to a setoff from those winnings in the amount of debt owed if the winnings are equal to or greater than \$1,200. However, the requirements to file IRS Form W-2G correspond to several winning threshold amounts and wager types, and the Bill requires debtors to be subject to the setoff if the winnings are required to be reported on the form.

Gambling winnings are required to be reported on the form if:

1. The winnings (not reduced by the wager) are \$1,200 or more from a bingo game or slot machine.
2. The winnings (reduced by the wager) are \$1,500 or more from a keno game.
3. The winnings (reduced by the wager or buy-in) are more than \$5,000 from a poker tournament.
4. The winnings (except winnings from bingo, slot machines, keno, and poker tournaments) reduced, at the option of the payer, by the wager are:
 - a. \$600 or more; and
 - b. At least 300 times the amount of the wager.
5. The winnings are subject to federal income tax withholding (either regular gambling withholding or backup withholding).

State tax receipts from sports wagering for FY 2020, as deposited into the Sports Wagering Receipts Fund, are estimated at \$3.2 million. As this is the first year of legal sports wagering

and fantasy sports in the State, debt has not yet been recovered from this form of wagering winnings.

The following tables show the amount of debt recovered through the setoff procedure at Iowa casinos in FY 2019. Other State agencies recovering debt include the Iowa Department of Workforce Development, the Department of Inspections and Appeals, the judicial districts, the Department of Commerce, and the Attorney General.

**Table 1 — Setoff Debt Recovered by Entity
in FY 2019**

Entity	Debt Recovered
Judicial Branch	\$ 1,668,315
Department of Revenue	1,433,430
Department of Human Services	1,061,163
Other State Agencies/Political Subdivisions	373,827
	\$ 4,536,735

**Table 2 — Setoff Debt Recovered by Other State Agencies
and Political Subdivisions
in FY 2019**

Entity	Debt Recovered
Other State Agencies	\$ 149,378
Cities	105,551
Community Colleges	68,361
Municipal Utilities	26,651
Universities	23,282
Housing Authorities	604
	\$ 373,827

Assumptions

- Approximately \$4.6 million in setoff funds, or 9.0% of funds collected through the setoff program, is collected by the 19 licensed Iowa casinos.
- Iowa casinos are responsible for checking claimants' winning money on wagers at the facility against the State debt database.
- State General Fund revenue, in addition to city and county revenue, could increase as the setoff threshold is removed and sports wagering winnings are added to the debt collection pool.
- The amount of debt recovered from wagering winnings and placed in the setoff program cannot be less than \$50.

Fiscal Impact

While the fiscal impact cannot be estimated at this time, the impact is expected to be positive as sports wagering winnings are included and the number of taxable gambling events, and the eligible amount won from those taxable events, is expanded.

Sources

Department of Administrative Services
Iowa Racing and Gaming Commission
Iowa Gaming Association

/s/ Holly M. Lyons

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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.

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