



[HF 2497](#) – Gaming, Accessing Cash, Sports-Related Events (LSB5510HV)
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Fiscal Note Version – New

Description

[House File 2497](#) relates to cashless wagering, forfeiture and withholding of certain gaming winnings, the definition of “sports wagering,” and providing penalties. **Table 1** summarizes the fiscal impacts of the various Bill divisions and can be found at the end of this fiscal note.

Division I — Cashless Wagering

Description

Division I allows for individuals to access a cash account through a personal electronic device for purposes of cashless wagering on the wagering area or gaming floor of a licensee under Iowa Code chapter [99D](#) or [99F](#). This division is not projected to have an identifiable fiscal impact.

Division II — Gaming Winnings Forfeiture and Withholding

Description

Division II makes the following changes:

- Prevents the State or any licensee from being liable for any claim, action, or inaction that may arise from processes related to voluntary exclusion and debt setoffs. The Bill releases entities from any responsibility to pay the State any money or thing of value that was paid either to a voluntarily excluded person or to a debtor.
- Allows licensees that are licensed under Iowa Code chapters 99D and 99F to retain an amount equal to the lesser of 5.0% of the amount withheld or \$100 of debt setoff payments prior to paying the remaining funds over to the collection entity.
- Eliminates the administrative actions or penalties that the Iowa Racing and Gaming Commission (IRGC) can assess to licensees that have unintentional self-exclusion or debt setoff violations.
- Provides that a voluntarily excluded person who refuses to forfeit money or a thing of value obtained as a result of wagers made by the person after the person has been voluntarily excluded is guilty of a simple misdemeanor. The person must pay to the State an amount equivalent to the money or thing of value obtained.

Background

Self-Exclusion Program

The IRGC manages a process for individuals to voluntarily exclude themselves from wagering with licensed casinos, racetracks, sports wagering, or fantasy sports operators, or entering the gaming areas of State-licensed casinos and racetracks. Individuals who participate in the program are self-excluded for a period of five years or life, and licensed entities must have electronic access to the names of persons voluntarily excluded. Voluntarily excluded individuals must forfeit any winnings as a result of wagers made, and those winnings are credited to the General Fund. In calendar year (CY) 2021, there were 11 statewide incidents of licensee errors involving self-exclusion violations.

Offset Program

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 required to be reported on Internal Revenue Service (IRS) Form W-2G. The requirements to filing a W-2G depend on the type of gambling, amount of winnings, and ratio of winnings to the wager.

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

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

Currently, the Department of Administrative Services administers the State's Income [Offset Program](#). Money recovered from casinos for debt offset is applied toward the debt the individual owes to the State and returned to the respective public agency, which includes State agencies such as the Judicial Branch, Department of Revenue, and Department of Human Services, or political subdivisions. In FY 2019 and FY 2021, there was approximately \$4.5 million and \$8.6 million collected from casino patrons.

Administrative Penalties

Administrative penalties are currently assessed by the IRGC against licensed entities for self-exclusion violations where self-excluded individuals incorrectly receive a jackpot payment from a licensee. In CY 2021, the IRGC collected \$49,500 in fines for self-exclusion violations.

Assumptions

Self-Exclusion Program

- The minimum amount in winnings to establish a W-2G event for self-exclusion purposes varies by the type of gambling. Based on CY 2021 data, it will be assumed that there are 11 self-exclusion violations by licensees each fiscal year.
- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay (LOS); 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.

Offset Program

- The IRGC estimates there are approximately 10 debt offset winnings payments a year made incorrectly to a debtor. For the purposes of this **Fiscal Note**, it is assumed there will be 10 incidents a year related to incorrect winnings payments to a debtor.

- In FY 2019 and FY 2021, there was an average of 5,976 debt offset instances and an average amount of \$1,085 retained per instance. These figures are assumed for future fiscal years.
- Licensees that are licensed under Iowa Code chapters 99D and 99F will retain an amount equal to 5.0% of the amount withheld for each instance.

Administrative Penalties

In 2021, there was approximately \$49,500 assessed in administrative penalties to licensees for self-exclusion violations. For the purposes of this **Fiscal Note**, it is assumed that fines equaling \$49,500 would not be assessed for administrative penalties in future years.

Fiscal Impact

Self-Exclusion Program

- The overall impact of releasing licensees from any responsibility to pay the State any money or thing of value that was paid to a voluntarily excluded person cannot be determined at this time, because the overall amount is dependent on the specific jackpot amount incorrectly paid to a patron. Any decrease in collection revenue would be to the General Fund.
- The fiscal impact of HF 2497 related to the creation of a simple misdemeanor cannot be estimated due to a lack of existing data. The estimated cost for one simple misdemeanor conviction ranges from \$40 to \$370. Any fiscal impact to the State General Fund would include operating costs incurred by the Judicial Branch and State Public Defender.

Offset Program

- The impact of releasing licensees from any responsibility to pay the State any money or thing of value that was paid to a debtor cannot be determined at this time, because the amount is dependent on the jackpot amount and the amount owed by the individual. Any decrease in collections would be to the Income Offset Program.
- There may be an annual decrease of approximately \$324,000 to the Income Offset Program as a result of the licensee collection fee for debt offset payments.

Administrative Penalties

There would be an annual decrease of approximately \$49,500 to the General Fund due to the loss of administrative penalties against licensees. The loss of penalties against licensees may also increase instances of incorrect jackpot payments to self-excluded patrons that would otherwise be deposited into the General Fund; however, any change cannot be estimated at this time.

Division III — Sports Wagering

Description

Division III includes electronic sports events and other sports-related events within the provisions of sports wagering by amending the definition of “authorized sporting event” to include electronic sports events. The Bill defines a “sports-related event” as an event that takes place in relation to an authorized sporting event but is not tied to the outcome of a specific athletic event or contest, such as a draft or player awards. The Bill defines “electronic sports event” as a multiplayer video game event governed by a recognized professional, international, or collegiate video game governing body. Wagers cannot be made on any individual performance or nonperformance of a participant in an electronic sports event who is under 18 years old. Division III also clarifies the definition of “professional sporting event” to include a charitable event with professional athletes.

Background

2019 Iowa Acts, [chapter 132](#) (Sports Wagering and Fantasy Sports Act), first authorized sports wagering and fantasy sports contests in the State. Sports wagering currently includes professional, collegiate, or international sporting events, or professional motor race events. International sporting events include sporting events governed by both the International Olympic Committee (IOC) and the International Federation of Association Football (FIFA). Minor league sporting events, fantasy sports contests, dog and horse racing, and any athletic event or competition of an interscholastic sport as defined in statute are excluded. Sports wagering 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 or placing a wager on the performance of athletes in an individual international sporting event governed by the IOC in which any participant is under the age of 18.

According to the [Spectrum Gaming Group's Socioeconomic Study and Market Analysis](#), the esports market, while a nontraditional market, is expected to grow over the coming years.

Assumptions

Sports wagering tax receipts may increase slightly with the addition of electronic sports events, draft markets, player of the year markets, and charity events to sports wagering.

Fiscal Impact

The addition of electronic sports, professional drafts, and player awards to the provision of sports wagering in Iowa could result in a minimal increase in State tax revenue. However, given the novelty of the electronic sports market and the potential for growth, the overall size and scope of any increase cannot be estimated at this time. Any increase in revenue is deposited into the Sports Wagering Receipts Fund.

Division IV — Occupational Licenses

Description

Division IV changes the definition of “holder of occupational license” to include persons engaged only in the administration, control, and conduct of gambling games and sports wagering. Under current law, all occupations within the excursion gambling boat industry must hold an occupational license. This division is not projected to have an identifiable fiscal impact.

Summary of Impacts

Correctional Impact

House File 2497 Division II establishes a new offense. As a result, the correctional impact cannot be estimated due to a lack of existing data. A conviction for a simple misdemeanor does not include the possibility of imprisonment. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 18, 2022, for information related to the correctional system.

Minority Impact

House File 2497 Division II establishes a new simple misdemeanor, and a minority impact cannot be estimated due to a lack of data. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 18, 2022, for information related to minorities in the criminal justice system.

Fiscal Impact

Table 1 includes a summary of the fiscal impacts for each division of the Bill:

Table 1 — Estimated Summary of Fiscal Impacts for HF 2497

Division	Provision	Fiscal Impact
I	Cashless Wagering	No fiscal impact.
II	Self Exclusion Program — Payments to the State	Any decrease in revenue to the General Fund cannot be estimated.
II	Self Exclusion Program — Penalty	Any impact to the General Fund cannot be estimated.
II	Offset Program — Payments to the State	Any decrease in revenue to the General Fund cannot be estimated.
II	Offset Program — Collection Retention	Annual decrease of approximately \$324,000 to the Income Offset Program.
II	Administrative Penalties	Annual decrease of \$49,500 to the General Fund.
III	Sports Wagering	Minimal increase in revenue to the SWRF but scope is not estimated at this time.
IV	Occupational Licenses	No fiscal impact.

Sources

Iowa Racing and Gaming Commission
Department of Administrative Services
LSA calculations

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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.
