



Fiscal Note

Fiscal Services Division



[SF 2470](#) – Prediction Market Taxation (LSB5288SV)

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Fiscal Note Version – New

Description

[Senate File 2470](#) requires a person to obtain a permit through the Iowa Department of Revenue (IDR) to conduct trading of event-driven contracts on markets in Iowa with an initial fee of \$10.0 million per permit and an annual renewal fee of \$100,000 per permit. The Bill also:

- Defines an event-driven contract to generally mean a financial derivative traded on a designated contract (prediction) market that is regulated by the federal [Commodity Futures Trading Commission \(CFTC\)](#) that provides a fixed binary payout based on a specific future event occurring. The Bill limits event-driven contracts to those financial derivatives relating to sporting activities, lotteries, elections, legislative actions, and economic indicators.
- Imposes a new 20.0% tax on the adjusted revenues received each calendar year by a prediction market from any event-driven contracts originating from traders in the State. Tax and permits revenues are to be deposited into the General Fund.
- Requires individual and corporate income taxpayers to recompute gains and/or losses based on event-driven contracts from federal taxable income and specifies that federal laws regarding capital gains or losses based on income from contract markets do not apply in computing State net individual or corporate income taxes. If taxpayers itemize deductions on their federal tax return, the Bill requires the taxpayers to subtract the total loss from each event-driven contract up to 90.0% of the gain added back from event-driven contracts.
- Requires State income tax to be withheld on gains from event-driven contracts in excess of \$600.
- Allows the IDR to prescribe administrative rules to administer sections of the Bill that create new Iowa Code chapter 99H.
- Requires the IDR to prescribe administrative rules to administer subsections of the Bill that enact Iowa Code sections [422.7\(41\)](#) and [422.35\(15\)](#).

The Bill applies retroactively to January 1, 2026, for tax years beginning on or after that date for sections of the Bill computing net individual and corporate income taxes. The Bill applies to the first tax year beginning July 1, 2026, for imposing and collecting the prediction market tax, and applies for each tax year afterward beginning January 1, 2027.

Background

The federal [One Big Beautiful Bill Act \(OBBBA\)](#) of 2025 changed the 100.0% deduction of gambling losses to a 90.0% deduction, beginning tax year (TY) 2026. For federal tax purposes, [26 U.S.C. §1256](#) details federal rules surrounding market contracts and how the taxpayer must account for gains and losses due to selling contracts at the end of a tax year.

The Bill defines a designated contract market as a digital marketplace for trading event-driven contracts that is also regulated by the federal CFTC, which regulates financial contracts and markets, including [event contracts](#) and [contract markets](#).

Assumptions

- Most gains from prediction market activity are already taxable income, and the withholding requirement on gains exceeding \$600 primarily changes the method and timing of tax administration between fiscal years in an amount that cannot be determined due to a lack of data, although the introduction of withholding requirements is expected to advance revenue to the General Fund in FY 2027.
- Subtracting from income the total loss of event-driven contracts up to 90.0% of the gain added back based on itemized deductions is expected to have an immaterial impact due to the small share of taxpayers who itemize their deductions, according to the IDR.
- Two platforms will enter the Iowa market and pay the initial application fee of \$10.0 million in FY 2027 and the ongoing annual fee of \$100,000.
- The annual tax rate on contract revenue is 20.0%.
- Contract revenue in a fiscal year includes 50.0% from the prior tax year and 50.0% from the current tax year.
- FY 2027 will be the first year in which tax and permit revenue from the Bill is deposited into the General Fund.
- The Bill will not materially reduce overall participation in prediction markets by Iowa residents.
- Nationally, 2025 total revenue for the two primary prediction market platforms is \$263.5 million and \$160.0 million, respectively, representing 87.8% of U.S. prediction market revenue. Total U.S. revenue was \$482.3 million in 2025, according to the IDR.
- Iowa accounts for approximately 0.95% of the U.S. population.
- Iowa's share of TY 2025 prediction market platform revenue is estimated to be \$4.6 million.
- The annual growth in prediction market revenue nationally and in Iowa is estimated to be 37.9%.

Fiscal Impact

The Bill's permit fees and tax revenues are estimated to increase General Fund revenue beginning FY 2027 by the following amounts:

- FY 2027 = \$20.0 million
- FY 2028 = \$2.2 million
- FY 2029 = \$3.0 million
- FY 2030 = \$4.1 million
- FY 2031 = \$5.6 million

The withholding requirements in the Bill are also estimated to increase General Fund revenue in FY 2027 in an amount that cannot be determined due to a lack of data.

Sources

Iowa Department of Revenue
Commodity Futures Trading Commission
Legislative Services Agency analysis
Internal Revenue Service

/s/ Jennifer Acton

March 18, 2026

Doc ID 1603131

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.
