

# LEGISLATIVE GUIDE TO GAMBLING IN IOWA



Legislative  
Services  
Agency

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### Note to Reader:

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## I. Introduction.

The purpose of this Legislative Guide is to provide a general overview of the gambling laws in Iowa. This information presented was obtained from the Iowa Code, the Iowa Administrative Code, and fiscal information collected by the Legislative Fiscal Bureau.

References made to the Iowa Code in this Legislative Guide are references to the 2003 Iowa Code. The Iowa Administrative Code and United States Code references are current through November 2002.

## II. Historical Background.

All types of gambling were prohibited in Iowa from statehood in 1846 until 1972 when Article III, section 28, of the 1857 Constitution of Iowa was repealed. The 1846 Constitution of Iowa included the following provision: "No lottery shall be authorized by this state nor shall the sale of lottery tickets be allowed."<sup>1</sup>

The same provision was included in the 1857 Constitution of Iowa<sup>2</sup> and remained unchanged until its repeal in 1972.<sup>3</sup> The term "lottery" is often used to define a form of gambling or gambling game, but its general legal meaning is "a chance for a prize for a price."<sup>4</sup> This definition leaves little room for gambling if "a price and a chance for a prize" are both involved. In addition, the Iowa Supreme Court ruled in 1963 that the award of an extra ball as a reward for scoring a given number of points on a pinball machine included an element of chance and, thus, the pinball machine was an illegal gambling device.<sup>5</sup> As a result, there was little surprise in 1969 to the opinion of the Attorney General requested by Representative Lloyd F. Schmeiser "as to whether bingo is legal for senior citizens who have a meeting every week and take cash donations for coffee, rolls, etc., at the door and with canned food or other donated items as prizes."<sup>6</sup> The opinion stated, "In my opinion, bingo is illegal under the fact situation you stated."<sup>7</sup> Asked how senior citizens can play bingo legally, Attorney General Richard Turner replied, "They can do so only by eliminating either the consideration they pay for the privilege of playing or the prize."<sup>8</sup> In 1970 an alternative to the prohibition was initiated with the first passage of a Joint Resolution by the General Assembly proposing the repeal of section 28 of Article III of the Constitution of the State of Iowa.<sup>9</sup> An identical Joint Resolution was passed in 1972<sup>10</sup> and ratified by the state electorate at the 1972 general election.

Following repeal of the constitutional lottery prohibition, the General Assembly proceeded in 1973 to authorize games of chance such as bingo and raffles which could be

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<sup>1</sup>Iowa Const. (1846), art. IV, § 29.

<sup>2</sup>Iowa Const. (1857), art. III, § 28.

<sup>3</sup>1972 Iowa Acts ch. 1141, § 1.

<sup>4</sup>Black's Law Dictionary, p. 947 (6<sup>th</sup> ed. 1990), West Pub. Co.

<sup>5</sup>State ex rel. Harman v. Doe, 123 N.W. 2d. 400 (1963).

<sup>6</sup>1969 Op. Iowa Att'y Gen. 170-171 (69/5/11).

<sup>7</sup>Id.

<sup>8</sup>Id.

<sup>9</sup>1970 Iowa Acts ch. 1308, § 1.

<sup>10</sup>1972 Iowa Acts ch. 1141, § 1.



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conducted by specified organizations and individuals.<sup>11</sup> Thereafter, pari-mutuel wagering at horse and dog racetracks was authorized in 1983;<sup>12</sup> a state lottery was authorized in 1985;<sup>13</sup> excursion boat gambling was authorized in 1989;<sup>14</sup> and slot machines were authorized at the pari-mutuel racetracks in 1994.<sup>15</sup> Along with the legislation to extend gambling facilities as noted in the preceding sentence, in 1992 the General Assembly prohibited the licensing of video lottery machines which would dispense cash, tokens, or prizes for winning a game.<sup>16</sup>

Other legislation was enacted to modify certain aspects of the forms of gambling such as the number of live racing days, simultaneous telecast of pari-mutuel races, or maximum wagering limits and daily loss limits. The remainder of this Guide will summarize the forms of gambling authorized in Iowa, the entities authorized to conduct gambling games, significant restrictions placed on the games, and tax revenue generated from the gambling.

### III. Bingo.

#### A. Sponsors.

Bingo games<sup>17</sup> may be offered by the following sponsors:

**Amusement Concession Operator.** A for-profit person conducting a game of skill or chance at a fair authorized by the sponsor of the fair, at an amusement park authorized by a city council or board of supervisors, at a carnival, bazaar, centennial, or celebration sponsored by a civic group, service club, or merchants group and authorized by a city council or board of supervisors.<sup>18</sup>

**Qualified Organizations.** A qualified organization is one of the following:

- Exempt from federal income tax under sections 501(c)(3) through 501(c)(8), 501(c)(10), or 501(c)(19) of the Internal Revenue Code.<sup>19</sup> In general, these organizations include religious, charitable, scientific, literary, educational, amateur sports, labor, social welfare, fraternal beneficiary, and veterans groups or societies.<sup>20</sup>
- An agency or instrumentality of the federal, state, or local government.<sup>21</sup>
- A parent-teacher entity or booster club which is recognized as a fund-raiser and supporter for a school district or school.<sup>22</sup>

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<sup>11</sup>1973 Iowa Acts ch. 153.

<sup>12</sup>1983 Iowa Acts ch. 187.

<sup>13</sup>1985 Iowa Acts ch. 33.

<sup>14</sup>1989 Iowa Acts ch. 67.

<sup>15</sup>1994 Iowa Acts ch. 1021.

<sup>16</sup>1992 Iowa Acts ch. 1203.

<sup>17</sup>Iowa Code ch. 99B; Iowa Admin. Code 481-103.

<sup>18</sup>Iowa Code §§ 99B.3, 99B.4.

<sup>19</sup>Iowa Code § 99B.7(1)(m).

<sup>20</sup>26 U.S.C. § 501(c).

<sup>21</sup>Iowa Code § 99B.7(1)(m).



A qualified organization must distribute at least 75 percent of net receipts to an unrelated entity for educational, civic, public, charitable, patriotic, or religious uses.<sup>23</sup> A qualified organization may sell or serve alcoholic beverages, wine, or beer.<sup>24</sup> A political party or a political party organization is a qualified organization. However, political action committees are not eligible for licenses.<sup>25</sup>

## B. License Fees.

### Amusement Concessions.

- A one-year operator license for a fee of \$50 per game.<sup>26</sup>
- A 14-day limited license for a fee of \$25.<sup>27</sup>

### Qualified Organizations.

- A two-year license for a fee of \$150. To qualify for a two-year license, the organization must have existed at least five years before the license is issued unless it was licensed before July 1, 1984, or its parent national organization has existed for at least five years.<sup>28</sup>
- A 14-day limited license for a fee of \$15.<sup>29</sup>

## C. Prizes.

**Amusement Concessions.** A maximum of \$50 in merchandise value per prize.<sup>30</sup>

**Qualified Organizations.** A maximum of \$100 cash or merchandise.<sup>31</sup>

A jackpot bingo prize starting at not more than \$300 may be offered by a qualified organization during a 24-hour period. The jackpot prize shall not increase more than \$100 per occasion of not more than four hours. The maximum jackpot prize allowed is \$800.<sup>32</sup>

## D. Bingo Occasion.

A qualified organization is limited to only three bingo occasions (not more than four hours in length) per week, but not more than 14 occasions per month. However, a senior citizen organization or other qualified organization holding a limited license may exceed the bingo occasion restrictions.<sup>33</sup>

<sup>22</sup>Iowa Code § 99B.7(1)(m).

<sup>23</sup>Iowa Code § 99B.7(4).

<sup>24</sup>Iowa Code § 99B.6(6).

<sup>25</sup>Iowa Code § 99B.7(6). See Iowa Admin. Code 481-100.1 (definition of "political party organization") and 481-100.30(4).

<sup>26</sup>Iowa Code § 99B.3(1)(b).

<sup>27</sup>Iowa Code § 99B.4(3).

<sup>28</sup>Iowa Code §§ 99B.2(1), 99B.7(3)(a).

<sup>29</sup>Iowa Code § 99B.7(3)(a).

<sup>30</sup>Iowa Code § 99B.3.

<sup>31</sup>Iowa Code § 99B.7(1)(c).

<sup>32</sup>Iowa Code § 99B.7(1).

<sup>33</sup>Iowa Code § 99B.7(1).



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### IV. Raffles.

#### A. Sponsors.

**Fairs.** A sponsor of a fair or a qualified organization which has been given permission by the sponsor of the fair, but not both, may conduct a raffle at a fair.<sup>34</sup>

**Qualified Organizations.** See the definition under Bingo in Division III (A) of this Guide.

#### B. License Fees.

**Fairs.** A \$30 license fee per raffle; an annual \$100 real estate raffle license fee.<sup>35</sup>

**Qualified Organizations.**

- A 14-day limited license for a fee of \$15.
- A 90-day limited license for a fee of \$40.
- A 180-day limited license for a fee of \$75.
- An annual license for a fee of \$150.<sup>36</sup>
- An annual real estate license for a fee of \$100.

#### C. Prizes.

**Fairs.** Multiple raffles of not more than \$1,000 in merchandise each. One annual raffle of more than \$1,000 in cash, merchandise, or real estate.<sup>37</sup>

**Qualified Organizations.** Multiple raffles of not more than \$10,000 in cash or merchandise each. One annual raffle of more than \$10,000 in cash, merchandise, or real estate.<sup>38</sup>

#### D. Raffle Tickets.

**Multiple Raffles.** Ticket prices for multiple raffles with prizes of \$1,000 or less shall not exceed \$1 per ticket.<sup>39</sup>

**Annual Raffles.** Ticket prices for annual raffles, including real estate raffles with prize values of more than \$1,000, may exceed \$1 per ticket.<sup>40</sup>

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<sup>34</sup>Iowa Code §99B.5(1).

<sup>35</sup>Iowa Code §§ 99B.5(1), 99B.5(3), 99B.7(1).

<sup>36</sup>Iowa Code §§ 99B.7(1)(d), 99B.7(3)(a).

<sup>37</sup>Iowa Code §§ 99B.5(1)(g), 99B.5(3).

<sup>38</sup>Iowa Code § 99B.7(1)(d).

<sup>39</sup>Iowa Code § 99B.5(1).

<sup>40</sup>Iowa Code §§ 99B.5(1), 99B.5(3); Iowa Admin. Code 481-100.32(1), (2).



## E. Special Audit – Cost.

The licensee of an annual real estate raffle is required to have a special audit by the Department of Inspections and Appeals, the cost of which shall be equal to 1 percent of the gross receipts of the raffle.<sup>41</sup>

## V. Amusement Concessions.

### A. Definitions.

"Game of chance" means a game in which the result is determined by chance and the player, in order to win, aligns objects or balls in a prescribed pattern or order or makes certain color patterns appear and specifically includes the game of bingo. "Game of chance" does not include a slot machine.<sup>42</sup>

"Game of skill" means a game in which the result is determined by the player directing or throwing objects to designated areas or targets, or by maneuvering water or an object into a designated area, or by maneuvering a dragline device to pick up particular items, or by shooting a gun or rifle.<sup>43</sup>

### B. Sponsors.

#### Fairs.

#### Amusement Parks Designated by a City or County.

**Authorized Groups.** Carnivals, bazaars, centennials, or celebrations sponsored by a civic group, service club, or merchants group as authorized by a city or county.

### C. Licenses.

**Private Concessionaire.** A one-year license.

**Sponsor.** A 14-consecutive-day sponsor's license for a bona fide civic group, service club, or merchants group authorized by a city or county to hold a carnival, bazaar, or other celebration.

### D. License Fees.

**Private Concessionaire.** A fee of \$50 per game.<sup>44</sup>

**Sponsor.** Twenty-five dollars for all games and raffles for a 14-consecutive-day license.<sup>45</sup>

### E. Prizes and Cost to Play.

The prize for winning a game is limited to \$50 and the cost to play shall not exceed \$3 per game.<sup>46</sup>

<sup>41</sup>Iowa Code §§ 99B.5(3)(e), 99B.7(1)(d).

<sup>42</sup>Iowa Code § 99B.1(14).

<sup>43</sup>Iowa Code § 99B.1(15).

<sup>44</sup>Iowa Code § 99B.3(1)(b).

<sup>45</sup>Iowa Code § 99B.4(3).

<sup>46</sup>Iowa Code § 99B.3(1).



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### VI. Annual Game Night.

#### A. Sponsors.

**Private Persons.** If sponsored by a private, nonqualified person, no cost shall be charged to a participant; all wagers shall be provided by the sponsor; the sponsor shall not receive consideration; and a social relationship or established employment relationship shall exist between the sponsor and all participants.<sup>47</sup>

**Qualified Organizations.** See the definition under BINGO in Division III(A) of this Guide. A qualified organization may conduct an annual game night without a bona fide social relationship existing between the sponsor and participants; a participation fee may be charged; and a profit may be made.<sup>48</sup>

#### B. License.

One license per calendar year for a duration of 12 hours only. The fee for the annual game night license is \$25. A qualified organization must also be licensed for bingo, raffles, or games of chance.<sup>49</sup>

#### C. Prizes and Cost to Play.

A qualified organization may charge an admission fee to a participant and the participant may wager not more than \$250 during the 12-hour occasion, including the price of any admission fee. No limit is placed on the value of prizes won.<sup>50</sup>

#### D. Games Allowed.

Casino gambling, games of skill, games of chance, card games, and raffles may be played during an annual game night.<sup>51</sup>

#### E. Restrictions.

An annual game night shall not be conducted at a licensed concession game or at a fair in progress.<sup>52</sup>

### VII. Licensed Social Gambling.

#### A. Sponsors.

**Liquor Licensees.** Class "A," Class "B," Class "C," and Class "D" liquor control licensees.

**Beer Permittee.** A Class "B" beer permittee.<sup>53</sup>

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<sup>47</sup>Iowa Code § 99B.8; Iowa Admin. Code 481-100.60-100.63.

<sup>48</sup>Iowa Code § 99B.8; Iowa Admin. Code 481-100.60-100.63.

<sup>49</sup>Iowa Code § 99B.8.

<sup>50</sup>Iowa Code § 99B.8(2).

<sup>51</sup>Iowa Code § 99B.8(1); Iowa Admin Code 481-100.61. Note: References to "raffles" in Iowa Code § 99B.8 were stricken in 2002 Iowa Acts ch. 1068, except in the statement that raffles could lawfully be conducted in Iowa Code § 99B.8, subsection 1, unnumbered paragraph 1.

<sup>52</sup>Iowa Code § 99B.8(1).

<sup>53</sup>Iowa Code § 99B.6(1); Iowa Admin. Code 481-102.1.



**Public Place.** An owner or tenant who is not a liquor licensee or beer permittee.<sup>54</sup>

## **B. License Fees.**

A license shall be issued to a sponsor for a period of two years for a fee of \$150 in the case of liquor licensees and beer permittees and \$100 for owners or tenants of a public place.<sup>55</sup>

## **C. Games Permitted – Wagers and Losses.**

The games allowed under social gambling include poker, pinochle, pitch, gin rummy, bridge, euchre, hearts, cribbage, dominoes, checkers, chess, backgammon, pool, and darts. A person shall not win or lose more than \$50 in cash or consideration during a 24-hour period.<sup>56</sup>

## **D. Sports Pools.**

Sports pools are also allowed but only on licensed sponsor premises where liquor or beer is sold. The maximum wager in a pool is limited to \$5 and the maximum winning prize is limited to \$500 per game.<sup>57</sup>

## **E. Illegal Social Games.**

With the exception of poker, games customarily in a gambling casino for which the house provides a banker, dealer, or croupier or for which specially designed tables are required are illegal social games. The illegal games include punchboard, pushcard, pull-tab, slot machines, craps, chuck-a-luck, roulette, klondike, blackjack, chemin de fer, baccarat, faro, equality, and three-card monte.<sup>58</sup>

## **VIII. Unlicensed Social Gambling.**

### **A. Private Social Gambling.**

Except in instances where the location or circumstance of a game is regulated under Iowa Code chapter 99B, individuals may participate in gambling if a bona fide social relationship exists among the participants.

### **B. Monetary Consideration.**

A participant in an unlicensed social gambling game shall not win nor lose more than \$50 in a 24-hour period.

### **C. Unlawful Wagers.**

A wager is unlawful if the wager involves the outcome of an athletic contest or event and the wager is made by a coach, official, player, or contestant of a school, educational institution, or interscholastic athletic organization participating in the contest or event.

<sup>54</sup>Iowa Code § 99B.9(1); Iowa Admin. Code 481-102.1(1).

<sup>55</sup>Iowa Code §§ 99B.6(1), 99B.9(1).

<sup>56</sup>Iowa Code §§ 99B.6(1)(k), 99B.9(1)(h); Iowa Admin. Code 481-102.3(1).

<sup>57</sup>Iowa Code § 99B.6(7); Iowa Admin. Code 481-102.2(4).

<sup>58</sup>Iowa Admin. Code 481-102.3(2).



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### D. School Property.

Social gambling is illegal on school property.

### E. Legal and Illegal Games.

The social gambling games which are listed as either legal or illegal games under Licensed Social Gambling, Division VII, are also legal or illegal for unlicensed social gambling.<sup>59</sup>

## IX. Bona Fide Contests.

### A. Bona Fide Contest.

A bona fide contest is unlicensed and may be held, with or without entrance fee, participation fees, or other charges. The contest must be conducted in a fair and honest manner and a gambling device shall not be used. If conducted on school property, the contest may be conducted only with the expressed approval of the school's board of directors.

### B. Lawful Bona Fide Contest.

A lawful bona fide contest includes an athletic or sporting contest, league or tournament, rodeo, horse show, golf, video golf tournament, bowling, trap or skeet shoot, fly-casting, tractor pulling, rifle, pistol, musket, muzzle-loader, pool, darts, archery, or horseshoe contest. It also includes, horse races, harness racing, and ski, airplane, snowmobile, raft, boat, bicycle, and motor vehicle races, and contests of cooking, horticulture, livestock, poultry, fish, or other animals and art work, hobby work, or craft work. The games of cribbage, bridge, chess, checkers, dominoes, and pinochle are also bona fide contests.<sup>60</sup>

## X. Pari-Mutuel Wagering.

### A. Licensee.

The following entities are eligible for a license:

- A qualifying organization as defined in section 513(d)(2)(C) of the federal Internal Revenue Code, which is exempt from federal income taxation under section 501(c)(3), 501(c)(4), or 501(c)(5) of the federal Internal Revenue Code.
- A nonprofit corporation which is organized as a nonprofit entity to promote educational, civic, public, charitable, patriotic, or religious purposes.
- A nonprofit corporation which regularly conducts an agricultural and educational fair or exposition for the promotion of the horse, dog, or other livestock breeding

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<sup>59</sup>Iowa Code § 99B.12.

<sup>60</sup>Iowa Code § 99B.11.



industries of the state, or an agency, instrumentality, or political subdivision of the state.<sup>61</sup>

## **B. Regulatory Authority.**

The Racing and Gaming Commission within the Department of Inspections and Appeals is the regulatory state agency for pari-mutuel wagering. The commission decides the type, number, and location of all licensed racetracks and the number of required racing days. Simultaneous telecasting of horse and dog races may be authorized if at least 60 performances consisting of nine live races each day of the season are scheduled.<sup>62</sup>

## **C. License.**

Each license is issued for not more than three years and includes the name of the licensee, type of license, place where the racing meeting shall be held, and the time and the number of days of racing. The license fee is determined by the Racing and Gaming Commission and includes salaries and other costs of investigation by the Department of Public Safety.<sup>63</sup>

## **D. Pari-Mutuel Wagering.**

### **1. First Winners.**

The licensee shall deduct 16 percent of the total sum wagered on all horses and dogs as first winners.<sup>64</sup> The commission may authorize a higher or lower percentage deducted but not more than 18 percent. The remainder, after deducting breakage, shall be paid to the holders of tickets on the winning horse or dog. Other wagers shall be received on horses or dogs in places and combinations as authorized by the commission. The method, procedure, the authority and right of the licensee, and the deduction allowed the licensee shall be as specified with respect to wagers upon horses or dogs selected to run first.<sup>65</sup>

### **2. Exotic Wagers – Two Horses or Dogs.**

The commission shall authorize, upon request, a higher or lower percent of the total sum wagered not to exceed 24 percent on exotic wagers involving not more than two dogs or horses. The deduction authorized above 20 percent shall also be retained by the licensee. Examples of these wagers are the daily double, exacta, and quinella.<sup>66</sup>

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<sup>61</sup>Iowa Code § 99D.8.

<sup>62</sup>Iowa Code §§ 99D.5, 99D.7, 99D.9(1), 99D.11(6).

<sup>63</sup>Iowa Code §§ 99D.9(1), 99D.14(7), 99D.14A.

<sup>64</sup>The deduction called "first winners" is an amount payable to the licensee based on the total amount wagered on all horses or dogs in each race.

<sup>65</sup>Iowa Code § 99D.11(5).

<sup>66</sup>For a daily double, the wagerer must pick the winner of the first two races; exacta requires the first and second dog or horse to be picked in exact order; and quinella requires the wagerer to pick the first and second place without specifying the order of finish.



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### 3. Exotic Wagers – Three or More Horses or Dogs.

Likewise, upon request of a licensee, the commission shall authorize a deduction of a higher or lower percentage of the total sum wagered not to exceed 25 percent, and the additional deduction authorized above 22 percent shall also be retained by the licensee. An example of these wagers is a trifecta.<sup>67</sup> Also, 1 percent of all exotic wagers on three or more horses or dogs shall be distributed as breakage to Iowa-foaled horses and Iowa-whelped dogs.<sup>68</sup>

### 4. Breakage.

Breakage is the odd cents by which the amount payable on each dollar wagered in a pari-mutuel pool exceeds a multiple of 10 cents. Breakage is used to supplement purses for races restricted to Iowa-foaled horses or to supplement purses won by Iowa-foaled horses by finishing first, second, third, or fourth in any other race. Two percent is credited to a special fund known as the Horse Racing Promotion Fund.<sup>69</sup> For Iowa-whelped dogs, 73 percent of the breakage is retained by the licensee to supplement purses won by Iowa-whelped dogs. Twenty-five percent is retained by the licensee to be used for a stake race for Iowa-whelped dogs and 2 percent is credited to a special fund known as the Dog Racing Promotion Fund.<sup>70</sup>

### 5. Unclaimed Winnings.

Winnings which are unclaimed within 60 days after the close of a racing meet are forfeited to the state. To the extent appropriated by the General Assembly, the funds shall be used by the Department of Agriculture and Land Stewardship to supplement native horse and dog purses. The remaining funds shall be used by the commission to pay for the drug testing of horses and dogs and to promote the horse and dog breeding industries in Iowa.<sup>71</sup>

### 6. Drugging and Numbing.

The administering of drugs and numbing devices, substances, or procedures before a race is generally prohibited. The use of the drugs lasix and phenylbutazone is authorized. The application of ice or a freezing device or substance within two hours of a race is prohibited. Also, the use of surgery or other procedure to sever, inject, or remove nerves of a racing dog or horse is prohibited.<sup>72</sup>

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<sup>67</sup>For a trifecta, the wagerer must pick the first three places of a race in exact order.

<sup>68</sup>Iowa Code §§ 99D.11(5), 99D.12, 99D.22.

<sup>69</sup>Iowa Code §§ 99D.12(1), 99D.22(1).

<sup>70</sup>Iowa Code §§ 99D.12(2), 99D.22(1).

<sup>71</sup>Iowa Code § 99D.13.

<sup>72</sup>Iowa Code §§ 99D.25, 99D.25A.



## **XI. Iowa Lottery.**

### **A. Licensee.**

Retail businesses such as grocery stores, motor fuel stations, convenience stores, and taverns may be licensed for retail sales of lottery tickets and shares.<sup>73</sup> Except for sales by the Lottery Division and special licensees who sell at special events approved by the Lottery Board, a licensee shall not engage exclusively in sales of lottery tickets or shares.<sup>74</sup>

### **B. License Fees.**

The fee for a lottery license varies with the type of lottery product the applicant wishes to sell. All applications must be accompanied by a basic fee of \$25, which is nonrefundable. An application for a computerized ticket game requires the remission of a total fee of \$125, \$100 of which is refundable if the computerized ticket license is denied.<sup>75</sup>

### **C. Lottery Structure.**

The Lottery Division is created within the Department of Revenue and Finance and its administrative personnel are appointed by the Lottery Commissioner with the approval of the Director of Revenue and Finance. The Iowa Lottery Board, which supervises the operation of the lottery, consists of five members appointed by the Governor. One member must be a law enforcement officer, one member must be an attorney, and one member must be a certified public accountant, each with a minimum of five years' experience in his or her respective profession. The commissioner of the lottery is the chief administrative officer of the division, who, along with the lottery board, conducts and supervises the lottery games to maximize the amount of net revenue for the state in a manner which maintains the dignity of the state and the general welfare of the public.<sup>76</sup>

### **D. Types of Games.**

The commissioner and the lottery board determine the types of lottery games which may be conducted. These games include on-line lotto games, both intrastate and interstate, and instant lottery games, including scratch tickets and pull-tabs. However, a video lottery game is prohibited. A video lottery game is defined as a game using an electronic computer terminal which, upon winning a game, dispenses coins or currency or a ticket, credit, or token which is redeemable for cash or a prize.<sup>77</sup>

### **E. Licensee Compensation and Costs.**

- A licensed retailer selling pull-tab tickets shall purchase the tickets for the retail price less the value of prizes which the retailer is required to pay and any discounts or commissions authorized by the State Lottery.<sup>78</sup>

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<sup>73</sup>Iowa Code §§ 99E.9, 99E.16; Iowa Admin. Code 705-2.1-2.3.

<sup>74</sup>Iowa Code § 99E.16(1).

<sup>75</sup>Iowa Code §§ 99E.9(3)(a), 99E.16; Iowa Admin. Code 705-2.4(3).

<sup>76</sup>Iowa Code §§ 99E.3, 99E.5, 99E.6, 99E.9(1).

<sup>77</sup>Iowa Code § 99E.9(3)(b).

<sup>78</sup>Iowa Admin. Code 705-3.6(1).



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- A licensed retailer selling scratch tickets shall purchase the scratch tickets at retail and shall be credited for winners and commissions.<sup>79</sup>
- The commissioner, with the board's approval, shall set the base amount of retailer compensation, specified in the agreement between the retailer and the State Lottery. The total amount of retailer compensation may be increased by implementing sales incentive programs. The additional compensation paid annually to retailers through sales incentives shall not exceed 1 percent of annual gross lottery sales.<sup>80</sup>

### F. Lottery Operation.

The pricing of tickets and selection of prizes, the marketing of lottery games, the pricing and issuance of licenses, and the general operation of all lottery games in Iowa are provided by rules of the lottery board.<sup>81</sup> The price of a share or ticket is generally \$1. A player of the Iowa intrastate lottery receives two shares for \$1 while the multistate lottery is \$1 for each share.

### G. Lottery Fund – Distribution.

The revenue from lottery games is deposited in the Lottery Fund. After the retail sales tax (5 percent) has been deducted, at least 50 percent of the projected annual revenue is appropriated for payment of prizes to the holders of winning tickets. Three-tenths of 1 percent of the gross lottery revenue is credited to the Gambling Treatment Fund.<sup>82</sup> The expenses of conducting the lottery, including expenses of the Attorney General's Office for enforcing the lottery law and the contractual expenses of the Lottery Division for investigative services provided by the Division of Criminal Investigation, are payable from the Lottery Fund. For marketing, educational, and informational activities, the commissioner is limited to not more than 4 percent of the lottery revenue.<sup>83</sup> The remainder of the lottery revenue is to be transferred to the General Fund of the State.<sup>84</sup>

## XII. Casino-Style Gambling – Excursion Boats and Racetracks.

### A. Licenses.

- A gambling game licensee must be a qualified sponsoring organization. A qualified sponsoring organization is either exempt from federal income taxation under sections 503(c)(3) through 503(c)(8), 503(c)(10), and 503(c)(19) of the federal Internal Revenue Code or an Iowa nonprofit corporation whether or not it is exempt from federal income tax.<sup>85</sup>

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<sup>79</sup>Id.

<sup>80</sup>Iowa Admin. Code 705-3.6(3).

<sup>81</sup>Iowa Code § 99E.9.

<sup>82</sup>Iowa Code § 99E.10.

<sup>83</sup>Iowa Code § 99E.10.

<sup>84</sup>Iowa Code § 99E.10(1), unnumbered paragraph 3.

<sup>85</sup>Iowa Code §§ 99F.1(14)(definition), 99F.5(1).



- An excursion gambling boat licensee is a person who is subject to a background investigation and meets general licensing standards established by the Iowa Racing and Gaming Commission. The excursion boats must meet certain space requirements, including space for those under 21, and provide opportunities for gift purchase and tourism activities.<sup>86</sup>
- An occupational license is required for persons who deal cards or operate gambling games.<sup>87</sup>
- Pursuant to legislation enacted in 1994, licensed pari-mutuel horse and dog racetracks are authorized to obtain licenses for gambling games if a favorable referendum and live racing performance requirements are met. Gambling games at racetracks, by definition, excludes table games of chance and video machines. Thus the games allowed are slot machines and video slot machines. Dog racetracks in Dubuque and Black Hawk Counties must schedule at least 130 performances of 12 live races daily during a season of 25 weeks. In Pottawattamie County, the dog racetrack is required to have 290 performances of 12 live races daily during a season of 50 weeks.<sup>88</sup> The dog track license for the Black Hawk County facility has been revoked.

## B. Referendum.

The licensing of an excursion gambling boat or the operation of slot machines at a licensed pari-mutuel racetrack must be approved by a favorable vote of the electorate of the county in which the excursion gambling boat has its home port or in which the licensed pari-mutuel racetrack is located. Another referendum to renew or extend the gambling license in the county was held at the general election in 2002 and shall be held each eight years thereafter.<sup>89</sup>

## C. Admission Fees.

- **Admission Fees.** A fee is set by the commission each fiscal year for each passenger embarking on an excursion gambling boat.<sup>90</sup>
- **Docking Fees.** Fifty cents may be charged each passenger embarking at a port of call if enacted by an ordinance of the city or county where the boat embarks passengers.<sup>91</sup>

## D. Wagering Tax.

The following tax on adjusted gross receipts is imposed:<sup>92</sup>

- Five percent of the adjusted gross receipts on the first \$1 million.

<sup>86</sup>Iowa Code §§ 99F.6, 99F.7; Iowa Admin. Code 491-1.7, 491-5.6.

<sup>87</sup>Iowa Code § 99F.4(2); Iowa Admin. Code 491-6.2.

<sup>88</sup>Iowa Code §§ 99F.1(9), 99F.4A, 99F.6(4)(b), 99F.7(10)(c); Iowa Admin. Code 491-11.5. 2002 Op. Iowa Att'y Gen #02-9-1 stated that the commission's rule authorizing video slot machines in Iowa Admin. Code 491-111.5 is consistent with the definition of gambling game and is within its rulemaking authority.

<sup>89</sup>Iowa Code § 99F.7(10).

<sup>90</sup>Iowa Code § 99F.10(2).

<sup>91</sup>Iowa Code § 99F.10(3).

<sup>92</sup>Iowa Code § 99F.1(1) (definition).



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- Ten percent of the adjusted gross receipts on the next \$2 million.
- Twenty percent of the adjusted gross receipts over \$3 million.
- Commencing January 1, 1997, an additional 2 percent of the adjusted gross receipts over \$3 million from gambling games at racetrack enclosures is added each year until the total rate is 36 percent. "Adjusted gross receipts" means the gross receipts less winnings paid to the wagerers.<sup>93</sup> As a result of a recent court decision declaring the difference in the tax rates on gambling on excursion boats and racetrack enclosures unconstitutional because it violates equal protection, the rate on adjusted gross receipts over \$3 million from gambling games at racetrack enclosures is reduced to 20 percent as of June 12, 2002.<sup>94</sup>

## E. City – County Revenues.

The following amounts from the wagering tax imposed accrue to counties and cities:

- If an excursion originates in a city, one-half of 1 percent of adjusted gross receipts is payable to the city where the excursion originated and an additional one-half of 1 percent of adjusted gross receipts is payable to the county.<sup>95</sup>
- If the excursion originates outside the boundaries of a city, one-half of 1 percent of adjusted gross receipts is remitted to the county and another one-half of 1 percent of adjusted gross receipts is remitted to the city which is nearest to the dock.<sup>96</sup>

## F. Gambling Treatment.

- From the wagering tax imposed, an amount equal to three-tenths of 1 percent of the adjusted gross receipts is remitted to the Gambling Treatment Fund.<sup>97</sup>

## XIII. Wagering Tax Revenue to the State.

The following statistics show the principal revenues received by the state from pari-mutuel wagering and other gambling games.<sup>98</sup>

Fiscal Year	Pari-Mutuel	Riverboats	Slot Machines	Total
FY 1986	\$ 2,105,033	NA	NA	\$ 2,105,033

<sup>93</sup>Iowa Code § 99F.11.

<sup>94</sup>Racing Assoc. of Central Iowa et al. v. Fitzgerald, No. 01-0011 (Iowa Sup. Ct. June 12, 2002).

<sup>95</sup>Iowa Code § 99F.11(1).

<sup>96</sup>Iowa Code § 99F.11(2).

<sup>97</sup>Iowa Code § 99F.11(3).

<sup>98</sup>Iowa Code § 8.57(5)(e) states that beginning with fiscal year 1995-1996, the first \$60 million from tax revenues from racetracks and casino gambling is to be deposited into the State General Fund. The revenues in excess of that was to be deposited into the Rebuild Iowa Infrastructure Fund (RIIF). Beginning with fiscal year 2000-2001, the revenues in excess of that first \$60 million is to be deposited as follows: the next \$15 million to the Vision Iowa Fund, the next \$5 million to the School Infrastructure Fund, and the remaining to RIIF. However, 2001 Iowa Acts ch. 174, § 1, provided that before the remaining revenues are deposited into RIIF, a variable amount is to be deposited into the Endowment for Iowa's Health Account for each fiscal year of the period beginning July 1, 2001, and ending June 30, 2007.

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FY 1987	10,698,238	NA	NA	10,698,238
FY 1988	11,093,673	NA	NA	11,093,673
FY 1989	10,347,942	NA	NA	10,347,942
FY 1990	9,420,393	NA	NA	9,420,393
FY 1991	6,306,801	\$ 1,928,361	NA	8,235,162
FY 1992	4,754,226	12,160,807	NA	16,915,033
FY 1993	3,870,334	7,637,891	NA	11,508,225
FY 1994	1,695,859	6,841,758	NA	8,537,617
FY 1995	1,729,751	31,723,085	\$ 13,539,467	46,992,303
FY 1996	1,078,259	56,373,341	49,328,414	106,780,014
FY 1997	1,061,316	75,288,897	48,943,943	125,294,156
FY 1998	1,038,924	84,484,131	55,184,445	140,707,500
FY 1999	803,907	92,869,923	65,387,161	159,060,991
FY 2000	555,051	103,297,764	75,765,472	179,618,287
FY 2001	489,918	106,299,516	80,848,172	187,637,606
FY 2002	438,762	116,457,431	89,452,480	206,348,673
	\$ 67,488,387	\$ 695,362,905	\$ 478,449,554	\$ 1,241,300,846

Source: Legislative Fiscal Bureau

## XIV. Iowa Lottery and Sales Tax Receipts Transfers to Various Funds.

Fiscal Year	Sales Tax	General Fund	CLEAN Fund	REAP Fund	Iowa Plan	Gambling Treatment
FY 1986	\$ 3,270,826	0	0	0	\$ 23,950,347	\$ 413,633
FY 1987	3,787,555	0	0	0	26,901,355	475,966
FY 1988	4,971,585	0	0	0	34,507,059	623,538
FY 1989	6,644,037	0	0	0	41,714,111	834,939
FY 1990	6,451,601	0	0	0	43,245,567	815,197
FY 1991	6,081,642	\$ 1,312,794	\$ 35,894,355	0	0	764,655
FY 1992	6,406,830	36,781,976	0	\$ 2,500,000	0	0
FY 1993	9,877,305	46,226,318	0	0	0	0
FY 1994	9,853,976	46,799,937	0	0	0	0
FY 1995	9,891,330	47,673,594	0	0	0	596,567
FY 1996	9,047,750	41,807,892	0	0	0	545,123
FY 1997	8,265,025	34,517,719	0	0	0	498,768
FY 1998	8,283,365	34,203,856	0	0	0	500,068
FY 1999	8,759,465	36,495,518	0	0	0	527,826
FY 2000	8,493,990	35,764,404	0	0	0	511,125
FY 2001	8,317,324	35,933,474	0	0	0	502,616
FY 2002	8,636,761	39,528,425	0	0	0	532,774
	\$ 127,040,367	\$ 437,027,907	\$ 35,894,355	\$ 2,500,000	\$ 170,318,439	\$ 8,142,795

Source: Legislative Fiscal Bureau



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