

**Senate Study Bill 3181 - Introduced**

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON BOLKCOM)

**A BILL FOR**

1 An Act relating to fantasy sports contests, providing for a  
2 tax, making an appropriation, making penalties applicable,  
3 and including implementation provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 99E.1 Definitions.

2 As used in this chapter, unless the context otherwise  
3 requires:

4 1. "*Applicant*" means an internet fantasy sports contest  
5 service provider applying for a license to conduct internet  
6 fantasy sports contests under this chapter.

7 2. "*Commission*" means the state racing and gaming commission  
8 created under section 99D.5.

9 3. "*Fantasy sports contest*" includes any fantasy or  
10 simulated game or contest in which the fantasy sports contest  
11 operator is not a participant in the game or contest, the value  
12 of all prizes and awards offered to winning participants are  
13 established and made known to the participants in advance  
14 of the contest, all winning outcomes reflect the relative  
15 knowledge and skill of the participants and shall be determined  
16 by accumulated statistical results of the performance of  
17 individuals, including athletes in the case of sporting events,  
18 in a fully completed game or contest, and no winning outcome  
19 is based on the score, point spread, or any performance or  
20 performances of any single actual team or solely on any single  
21 performance of an individual athlete or player in any single  
22 actual event. For purposes of this subsection, "*athlete*" does  
23 not include an athlete participating in any extracurricular  
24 interscholastic athletic contest or competition which is  
25 sponsored or administered by an organization as defined  
26 in section 280.13, an athlete participating in any amateur  
27 athletic contest or competition in which all participants are  
28 under the age of twenty-one, or an athlete participating in  
29 any intercollegiate sport as defined in section 9A.102. In  
30 addition, for purposes of this subsection, "*fully completed game*  
31 *or contest*" means the entirety of the game or contest, and not  
32 merely any portion thereof, and includes the entirety of a game  
33 or contest that has been suspended or shortened on account of  
34 weather or other natural or unforeseen event.

35 4. "*Internet fantasy sports contest*" means a method of

1 entering a fantasy sports contest by which a person may  
2 establish an account with an internet fantasy sports contest  
3 service provider, deposit money into the account, and use  
4 the account balance for entering a fantasy sports contest by  
5 utilizing electronic communication.

6 5. "*Internet fantasy sports contest adjusted revenues*" means,  
7 for each internet fantasy sports contest, the amount equal to  
8 the total charges and fees collected from all participants  
9 entering the internet fantasy sports contest less winnings paid  
10 to participants in the contest, multiplied by the resident  
11 percentage.

12 6. "*Internet fantasy sports contest player*" means a person  
13 who is at least twenty-one years of age, is a resident of  
14 this state, and participates in an internet fantasy sports  
15 contest operated by an internet fantasy sports contest service  
16 provider.

17 7. "*Internet fantasy sports contest service provider*" means  
18 a person, including a licensee under chapter 99D or 99F, who  
19 conducts an internet fantasy sports contest as authorized by  
20 this chapter.

21 8. "*Resident percentage*" means, for each internet fantasy  
22 sports contest, the percentage, rounded to the nearest tenth  
23 of a percent, equal to the total charges and fees collected  
24 from all internet fantasy sports contest players divided by the  
25 total charges and fees collected from all participants in the  
26 internet fantasy sports contest.

27 Sec. 2. NEW SECTION. **99E.2 Internet fantasy sports contests**  
28 **authorized.**

29 The system of entering an internet fantasy sports contest as  
30 provided by this chapter is legal when conducted by a licensed  
31 internet fantasy sports contest service provider as provided in  
32 this chapter.

33 Sec. 3. NEW SECTION. **99E.3 Commission — powers.**

34 The commission shall have full jurisdiction over and shall  
35 supervise internet fantasy sports contests and internet fantasy

1 sports contest service providers as governed by this chapter.  
2 The commission shall have the following powers and shall adopt  
3 rules pursuant to chapter 17A to implement this chapter:

4 1. To investigate applicants and determine the eligibility  
5 of applicants for a license to conduct internet fantasy sports  
6 contests.

7 2. To license and regulate internet fantasy sports contest  
8 service providers subject to the requirements of this chapter.

9 3. To investigate alleged violations of this chapter  
10 or the commission rules, orders, or final decisions and to  
11 take appropriate disciplinary action against a licensee, or  
12 institute appropriate legal action for enforcement, or both.  
13 Information gathered during an investigation is confidential  
14 during the pendency of the investigation.

15 4. To assess fines and revoke or suspend licenses.

16 5. To require, beginning July 1, 2018, licensees to  
17 establish a process with the state for licensees to have  
18 electronic access to names and social security numbers of  
19 debtors of claimant agencies through a secured interactive  
20 internet site maintained by the state.

21 6. To take any other action as may be reasonable or  
22 appropriate to enforce this chapter and the commission rules.

23 **Sec. 4. NEW SECTION. 99E.4 Requirements of applicant — fee**  
24 **— penalty.**

25 1. An applicant for a license to conduct internet fantasy  
26 sports contests shall complete and sign an application on  
27 the form prescribed and published by the commission. The  
28 application shall include such information of the applicant  
29 that the commission deems necessary for purposes of issuing a  
30 license pursuant to this chapter.

31 2. An applicant shall submit fingerprints and information  
32 that the commission deems necessary to the commission in the  
33 manner prescribed on the application forms. The fingerprints  
34 may be submitted to the federal bureau of investigation by the  
35 department of public safety through the state criminal history

1 repository for the purpose of a national criminal history  
2 check.

3 3. The commission shall charge the applicant a fee set  
4 by the department of public safety, division of criminal  
5 investigation, to defray the costs associated with any  
6 investigations conducted pursuant to the requirements of this  
7 section concerning the applicant. This fee is in addition  
8 to any other license fee charged by the commission. The fee  
9 may be retained by the department of public safety, division  
10 of criminal investigation, and shall be considered repayment  
11 receipts as defined in section 8.2.

12 4. A license shall not be granted to an applicant if there  
13 is substantial evidence that any of the following apply:

14 a. A license issued to the applicant to conduct internet  
15 fantasy sports contests in another jurisdiction has been  
16 revoked by an entity licensing persons to conduct such contests  
17 in that jurisdiction.

18 b. The applicant has not demonstrated financial  
19 responsibility sufficient to adequately meet the requirements  
20 of the enterprise proposed.

21 c. The applicant does not adequately disclose the true  
22 owners of the enterprise proposed.

23 d. The applicant has knowingly made a false statement of a  
24 material fact to the commission.

25 e. The applicant has failed to meet a monetary obligation in  
26 connection with conducting an internet fantasy sports contest.

27 f. The applicant is not of good repute and moral character  
28 or the applicant has pled guilty to, or has been convicted of,  
29 a felony.

30 g. Any member of the board of directors of the applicant is  
31 not twenty-one years of age or older.

32 5. A person who knowingly makes a false statement on the  
33 application is guilty of an aggravated misdemeanor.

34 6. For the purposes of this section, "*applicant*" includes  
35 each member of the board of directors of an internet fantasy

1 sports contest service provider.

2 Sec. 5. NEW SECTION. 99E.5 Licenses — fees — terms and  
3 conditions — revocation.

4 1. If the commission is satisfied that the requirements  
5 of this chapter and its rules adopted under this chapter  
6 applicable to licensees have been or will be complied with, the  
7 commission shall issue a license for a period of not more than  
8 three years to an applicant to conduct internet fantasy sports  
9 contests in this state.

10 2. A licensed internet fantasy sports contest service  
11 provider shall comply with all of the following requirements:

12 a. Prevent employees of the internet fantasy sports contest  
13 service provider and family members related within the second  
14 degree of affinity or consanguinity of such employees from  
15 competing in any internet fantasy sports contest conducted by  
16 the service provider in which the service provider offers a  
17 cash prize over five dollars.

18 b. Verify that an internet fantasy sports contest player is  
19 twenty-one years of age or older and is a resident of Iowa.

20 c. Ensure that coaches, officials, players, contestants,  
21 or other individuals who participate in a game or contest  
22 that is the subject of an internet fantasy sports contest are  
23 restricted from entering an internet fantasy sports contest in  
24 which the outcome is determined, in whole or in part, by the  
25 accumulated statistical results of a team of individuals in the  
26 game or contest in which they participate.

27 d. Allow individuals to restrict themselves from entering  
28 an internet fantasy sports contest conducted by the internet  
29 fantasy sports contest service provider upon request and take  
30 reasonable steps to prevent those individuals from entering  
31 any internet fantasy sports contests conducted by the internet  
32 fantasy sports contest service provider.

33 e. Disclose the number of entries a single internet fantasy  
34 sports contest player may submit to each internet fantasy  
35 sports contest and take reasonable steps to prevent players

1 from submitting more than the allowable number of entries for  
2 that internet fantasy sports contest.

3 *f.* Segregate internet fantasy sports contest player funds  
4 from operational funds and maintain a reserve in the form of  
5 cash, cash equivalents, an irrevocable letter of credit, a  
6 bond, or a combination thereof in the amount of the deposits in  
7 internet fantasy sports contest player accounts for the benefit  
8 and protection of internet fantasy sports contest player  
9 funds held in internet fantasy sports contest accounts by the  
10 internet fantasy sports contest service provider.

11 *g.* Annually contract with a third party to perform an  
12 independent audit, consistent with the standards established  
13 by the public company accounting oversight board, to ensure  
14 compliance with all of the requirements in this chapter and  
15 submit the results of the independent audit to the commission.

16 *h.* Pay the tax as provided in section 99E.6.

17 3. The annual license fee to conduct internet fantasy sports  
18 contests shall be five hundred dollars. Moneys collected by  
19 the commission from the annual license fee paid under this  
20 subsection shall be considered repayment receipts as defined  
21 in section 8.2.

22 4. Upon a violation of any of the conditions listed in  
23 section 99E.4 or this section by a licensee, the commission  
24 shall immediately revoke the license.

25 **Sec. 6. NEW SECTION. 99E.6 Internet fantasy sports contest**  
26 **tax — rate — allocations.**

27 1. A tax of seven and one-half percent is imposed on  
28 internet fantasy sports contest adjusted revenues. The tax  
29 imposed by this section shall be paid by the internet fantasy  
30 sports contest service provider to the commission as provided  
31 by the commission.

32 2. Of the revenues collected pursuant to this section, an  
33 amount equal to one-half of one percent of internet fantasy  
34 sports contest adjusted revenues is appropriated to the  
35 department of public health for purposes of the gambling

1 treatment program established pursuant to section 135.150. The  
2 remaining amount of the revenues collected pursuant to this  
3 section shall be deposited in the rebuild Iowa infrastructure  
4 fund created in section 8.57.

5 **Sec. 7. NEW SECTION. 99E.7 Internet fantasy sports contests**  
6 **— age restrictions.**

7 A person under the age of twenty-one years shall not enter an  
8 internet fantasy sports contest. A person who violates this  
9 section with respect to entering an internet fantasy sports  
10 contest commits a scheduled violation under section 805.8C,  
11 subsection 11.

12 **Sec. 8. NEW SECTION. 99E.8 Division of criminal**  
13 **investigation.**

14 The division of criminal investigation of the department of  
15 public safety may investigate to determine licensee compliance  
16 with the requirements of [this chapter](#). Investigations may be  
17 conducted either on the criminal investigation division's own  
18 initiative or at the request of the commission. The criminal  
19 investigation division and the commission shall cooperate to  
20 the maximum extent possible on an investigation.

21 **Sec. 9. NEW SECTION. 99E.9 Setoff.**

22 1. A licensee or a person acting on behalf of a licensee  
23 shall be provided electronic access to the names of the  
24 persons indebted to a claimant agency pursuant to the process  
25 established pursuant to [section 99E.3, subsection 5](#). The  
26 electronic access provided by the claimant agency shall include  
27 access to the names of the debtors, their social security  
28 numbers, and any other information that assists the licensee  
29 in identifying the debtors. If the name of a debtor provided  
30 to the licensee through electronic access is retrieved by the  
31 licensee and the winnings are equal to or greater than one  
32 thousand two hundred dollars per occurrence, the retrieval  
33 of such a name shall constitute a valid lien upon and claim  
34 of lien against the winnings of the debtor whose name is  
35 electronically retrieved from the claimant agency. If a



1 debtor's winnings are equal to or greater than one thousand two  
2 hundred dollars per occurrence, the full amount of the debt  
3 shall be collectible from any winnings due the debtor without  
4 regard to limitations on the amounts that may be collectible in  
5 increments through setoff or other proceedings.

6 2. The licensee is authorized and directed to withhold  
7 any winnings of a debtor which are paid out directly by the  
8 licensee subject to the lien created by [this section](#) and  
9 provide notice of such withholding to the winner. The licensee  
10 shall pay the funds over to the collection entity which  
11 administers the setoff program pursuant to [section 8A.504](#).

12 3. Notwithstanding any other provision of law to the  
13 contrary, the licensee may provide to a claimant agency all  
14 information necessary to accomplish and effectuate the intent  
15 of [this section](#), and likewise the claimant agency may provide  
16 all information necessary to accomplish and effectuate the  
17 intent of [this section](#).

18 4. The information obtained by a claimant agency from the  
19 licensee in accordance with [this section](#) shall retain its  
20 confidentiality and shall only be used by a claimant agency in  
21 the pursuit of its debt collection duties and practices. An  
22 employee or prior employee of a claimant agency who unlawfully  
23 discloses any such information for any other purpose, except  
24 as otherwise specifically authorized by law, shall be subject  
25 to the penalties specified by law for unauthorized disclosure  
26 of confidential information by an agent or employee of the  
27 claimant agency.

28 5. The information obtained by a licensee from a claimant  
29 agency in accordance with [this section](#) shall retain its  
30 confidentiality and only be used by the licensee in the  
31 pursuit of debt collection duties and practices. An employee  
32 or prior employee of a licensee who unlawfully discloses any  
33 such information for any other purpose, except as otherwise  
34 specifically authorized by law, shall be subject to the  
35 same penalties specified by law for unauthorized disclosure

1 of confidential information by an agent or employee of the  
2 licensee.

3 6. Except as otherwise provided in [this chapter](#),  
4 attachments, setoffs, or executions authorized and issued  
5 pursuant to law shall be withheld if timely served upon the  
6 licensee.

7 7. A claimant agency or licensee, acting in good faith,  
8 shall not be liable to any person for actions taken pursuant to  
9 this section.

10 Sec. 10. NEW SECTION. **99E.10 Penalties.**

11 In addition to any other penalty specified in this chapter,  
12 a person who willfully fails to comply with the requirements  
13 of this chapter and the rules adopted pursuant to chapter 17A  
14 commits a class "D" felony and, in addition, shall be barred  
15 for life from internet fantasy sports contests.

16 Sec. 11. Section 232C.4, subsection 3, Code 2016, is amended  
17 to read as follows:

18 3. An emancipated minor shall remain subject to voting  
19 restrictions under [chapter 48A](#), gambling restrictions under  
20 chapter 99B, [99D](#), [99F](#), [99G](#), or [725](#), internet fantasy sports  
21 contest restrictions under chapter 99E, alcohol restrictions  
22 under [chapter 123](#), compulsory attendance requirements under  
23 chapter 299, and cigarette tobacco restrictions under chapter  
24 453A.

25 Sec. 12. Section 714B.10, subsection 1, Code 2016, is  
26 amended to read as follows:

27 1. Advertising by sponsors registered pursuant to chapter  
28 557B, licensed pursuant to [chapter 99B](#), or regulated pursuant  
29 to [chapter 99D](#), [99E](#), [99F](#), or [99G](#).

30 Sec. 13. Section 805.8C, Code 2016, is amended by adding the  
31 following new subsection:

32 NEW SUBSECTION. 11. *Internet fantasy sports contest*  
33 *violations.* For violations of legal age for entering an  
34 internet fantasy sports contest under section 99E.7, the  
35 scheduled fine is five hundred dollars. Failure to pay the

1 fine by a person under the age of eighteen shall not result in  
2 the person being detained in a secure facility.

3 Sec. 14. IMPLEMENTATION DATE. The following provision or  
4 provisions of this Act shall not be implemented until July 1,  
5 2018:

6 1. The section of this Act enacting section 99E.9.

7 EXPLANATION

8 The inclusion of this explanation does not constitute agreement with  
9 the explanation's substance by the members of the general assembly.

10 This bill authorizes internet fantasy sports contests  
11 and provides for the licensing, regulation, and taxation of  
12 internet fantasy sports contests.

13 New Code section 99E.1 provides for definitions. A "fantasy  
14 sports contest" is defined as any fantasy or simulated game  
15 or contest in which all prizes and awards offered to winning  
16 participants are established and made known in advance of the  
17 contest, all winning outcomes reflect the relative knowledge  
18 and skill of the participants and are determined predominantly  
19 by accumulated statistical results of the performance of  
20 individuals in a fully completed game or contest, and no  
21 winning outcome is based on the score, or performance of any  
22 single actual team or combination of such teams or solely  
23 on any single performance of an individual athlete in any  
24 single actual sporting or other event. The bill provides that  
25 for purposes of this definition, an athlete does not include  
26 an athlete participating in an interscholastic athletic or  
27 intercollegiate sports contest, or an athlete participating  
28 in an amateur athletic contest in which all participants are  
29 under 21 years of age. An "internet fantasy sports contest"  
30 is defined as a method of entering a fantasy sports contest by  
31 establishing an account with an internet fantasy sports contest  
32 service provider. An "internet fantasy sports contest player"  
33 is defined as a person who is at least 21 years of age and a  
34 resident of this state, who participates in an internet fantasy  
35 sports contest. The bill also defines internet fantasy sports

1 contest adjusted revenues, internet fantasy sports contest  
2 service provider, and resident percentage.

3 New Code section 99E.2 provides that the system of entering  
4 an internet fantasy sports contest is legal when conducted by a  
5 licensed internet fantasy sports contest service provider as  
6 provided in the new Code chapter.

7 New Code section 99E.3 establishes the powers of the racing  
8 and gaming commission in relation to internet fantasy sports  
9 contests and internet fantasy sports contest service providers.  
10 Specifically, the new Code section authorizes the commission to  
11 investigate and license internet fantasy sports contest service  
12 providers, assess fines and revoke or suspend licenses, and  
13 take any other action to enforce the requirements of the new  
14 Code chapter.

15 New Code section 99E.4 establishes the requirements for an  
16 applicant to be granted a license to conduct internet fantasy  
17 sports contests. The Code section allows the commission  
18 to charge the applicant a fee for the department of public  
19 safety, division of criminal investigation, to defray the  
20 costs associated with any investigation. The new Code  
21 section provides that a license shall not be issued if there  
22 is evidence that the applicant has failed to meet certain  
23 qualifying requirements. A person who knowingly makes a  
24 false statement on the application is guilty of an aggravated  
25 misdemeanor.

26 New Code section 99E.5 establishes the terms and conditions  
27 of licenses issued to conduct internet fantasy sports contests.  
28 The Code section provides that a license may be issued for  
29 a period of not more than three years and provides that  
30 the annual license fee shall be \$500. The new Code section  
31 provides that a licensed internet fantasy sports contest  
32 service provider shall prevent employees and certain family  
33 members from participating in internet fantasy sports contests,  
34 verify that internet fantasy sports contest players are 21 or  
35 older and residents of this state, ensure that participants in

1 a game or contest shall not be allowed to enter an internet  
2 fantasy sports contest involving that game or contest, permit  
3 individuals to restrict themselves from entering an internet  
4 fantasy sports contest, perform an independent audit, and pay  
5 the tax imposed by the new Code chapter.

6 New Code section 99E.6 provides for a tax of 7.5 percent  
7 to be imposed on internet fantasy sports contest adjusted  
8 revenues. The bill defines, in new Code section 99E.1,  
9 internet fantasy sports contest adjusted revenues as the total  
10 of fees and charges collected, less winnings, in an internet  
11 fantasy sports contest multiplied by the percentage of fees  
12 and charges paid by participants who are residents of this  
13 state in that contest. The bill provides that of the revenues  
14 collected, an amount equal to .5 percent of internet fantasy  
15 sports contest adjusted revenues is appropriated to the  
16 department of public health for gambling treatment with the  
17 remainder of revenues collected to be deposited in the rebuild  
18 Iowa infrastructure fund.

19 New Code section 99E.7 provides that a person under the  
20 age of 21 shall not enter an internet fantasy sports contest.  
21 A person who violates this Code section commits a scheduled  
22 violation under Code section 805.8C and is subject to a \$500  
23 fine. Code section 805.8C is amended to reflect this violation  
24 and applicable fine.

25 New Code section 99E.8 authorizes the division of criminal  
26 investigation of the department of public safety to investigate  
27 licensee compliance with the requirements of the new Code  
28 chapter.

29 New Code section 99E.9 requires a licensee to offset  
30 winnings of a debtor in an amount equal to or greater than  
31 \$1,200, subject to the requirements of this new Code section.  
32 The bill provides that this Code section shall not be  
33 implemented until July 1, 2018.

34 New Code section 99E.10 provides that, in addition to any  
35 other penalty specified in the new Code chapter, a person who

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1 willfully fails to comply with the requirements of the Code  
2 chapter commits a class "D" felony and shall be barred for life  
3 from internet fantasy sports contests.