

House File 613 - Introduced

HOUSE FILE 613

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 52)

A BILL FOR

1 An Act relating to fantasy sports contests, providing for a
2 tax and a fee, making penalties applicable, and including
3 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 and no winning outcome is based on the score, point spread, or
19 any performance or performances of any single actual team or
20 solely on any single performance of an individual athlete or
21 player in any single actual event.

22 4. "*Internet fantasy sports contest*" means a method of
23 entering a fantasy sports contest by which a person may
24 establish an account with an internet fantasy sports contest
25 service provider, deposit money into the account, and use
26 the account balance for entering a fantasy sports contest by
27 utilizing electronic communication.

28 5. "*Internet fantasy sports contest adjusted revenues*" means,
29 for each internet fantasy sports contest, the amount equal to
30 the total charges and fees collected from all participants
31 entering the internet fantasy sports contest less winnings paid
32 to participants in the contest, multiplied by the location
33 percentage.

34 6. "*Internet fantasy sports contest player*" means a person
35 who is at least twenty-one years of age and participates in an

1 internet fantasy sports contest operated by an internet fantasy
2 sports contest service provider.

3 7. "*Internet fantasy sports contest service provider*" means
4 a person, including a licensee under chapter 99D or 99F, who
5 conducts an internet fantasy sports contest as authorized by
6 this chapter.

7 8. "*Location percentage*" means, for each internet fantasy
8 sports contest, the percentage, rounded to the nearest tenth of
9 a percent, equal to the total charges and fees collected from
10 all internet fantasy sports contest players located in this
11 state divided by the total charges and fees collected from all
12 participants in the internet fantasy sports contest.

13 Sec. 2. NEW SECTION. **99E.2 Internet fantasy sports contests**
14 **authorized.**

15 The system of entering an internet fantasy sports contest as
16 provided by this chapter is legal when conducted by a licensed
17 internet fantasy sports contest service provider as provided in
18 this chapter.

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

20 1. The commission shall have full jurisdiction over and
21 shall supervise internet fantasy sports contests and internet
22 fantasy sports contest service providers as governed by this
23 chapter.

24 2. The commission shall have the following powers and shall
25 adopt rules pursuant to chapter 17A to administer and implement
26 this chapter:

27 *a.* To review and investigate applicants and determine the
28 eligibility of applicants for a license to conduct internet
29 fantasy sports contests, pursuant to rules adopted by the
30 commission.

31 *b.* To license and regulate internet fantasy sports contest
32 service providers subject to the requirements of this chapter.

33 *c.* To provide for the prevention of practices detrimental to
34 the public and to provide for the best interests of internet
35 fantasy sports contests.

1 *d.* To investigate alleged violations of this chapter
2 or the commission rules, orders, or final decisions and to
3 take appropriate disciplinary action against a licensee, or
4 institute appropriate legal action for enforcement, or both.
5 Information gathered during an investigation is confidential
6 during the pendency of the investigation.

7 *e.* To assess fines and revoke or suspend licenses and to
8 impose penalties for violations of this chapter.

9 *f.* To require, beginning July 1, 2019, licensees to
10 establish a process with the state for licensees to have
11 electronic access to names and social security numbers of
12 debtors of claimant agencies through a secured interactive
13 internet site maintained by the state.

14 *g.* To take any other action as may be reasonable or
15 appropriate to enforce this chapter and the commission rules.

16 Sec. 4. NEW SECTION. **99E.4 Requirements of applicant — fee**
17 **— penalty.**

18 1. An applicant for a license to conduct internet fantasy
19 sports contests shall complete and sign an application on
20 the form prescribed and published by the commission. The
21 application shall include such information of the applicant
22 that the commission deems necessary for purposes of issuing a
23 license pursuant to this chapter.

24 2. An applicant shall submit fingerprints and information
25 that the commission deems necessary to the commission in the
26 manner prescribed on the application forms. The fingerprints
27 may be submitted to the federal bureau of investigation by the
28 department of public safety through the state criminal history
29 repository for the purpose of a national criminal history
30 check.

31 3. The commission shall charge the applicant a fee set
32 by the department of public safety, division of criminal
33 investigation, to defray the costs associated with any
34 investigations conducted pursuant to the requirements of this
35 section concerning the applicant. This fee is in addition

1 to any other license fee charged by the commission. The fee
2 may be retained by the department of public safety, division
3 of criminal investigation, and shall be considered repayment
4 receipts as defined in section 8.2.

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

7 a. A license issued to the applicant to conduct internet
8 fantasy sports contests in another jurisdiction has been
9 revoked by an entity licensing persons to conduct such contests
10 in that jurisdiction.

11 b. The applicant has not demonstrated financial
12 responsibility sufficient to adequately meet the requirements
13 of the enterprise proposed.

14 c. The applicant does not adequately disclose the true
15 owners of the enterprise proposed.

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

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

20 f. The applicant is not of good repute and moral character
21 or the applicant has pled guilty to, or has been convicted of,
22 a felony.

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

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

27 6. For the purposes of this section, "*applicant*" includes
28 each member of the board of directors of an internet fantasy
29 sports contest service provider.

30 **Sec. 5. NEW SECTION. 99E.5 Licenses — fees — terms and**
31 **conditions — revocation.**

32 1. If the commission is satisfied that the requirements
33 of this chapter and its rules adopted under this chapter
34 applicable to licensees have been or will be complied with, the
35 commission shall issue a license for a period of not more than

1 three years to an applicant to conduct internet fantasy sports
2 contests in this state.

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

5 a. Prevent employees of the internet fantasy sports contest
6 service provider and relatives living in the same household of
7 such employees from competing in any internet fantasy sports
8 contest on the service provider's digital platform in which the
9 service provider offers a cash prize to the public.

10 b. Verify that an internet fantasy sports contest player
11 located in this state is twenty-one years of age or older.

12 c. Ensure that coaches, officials, players, contestants,
13 or other individuals who participate in a game or contest
14 that is the subject of an internet fantasy sports contest are
15 restricted from entering an internet fantasy sports contest in
16 which the outcome is determined, in whole or in part, by the
17 accumulated statistical results of a team of individuals in the
18 game or contest in which they participate.

19 d. Prohibit internet fantasy sports contests based upon any
20 extracurricular interscholastic athletic contest or competition
21 which is sponsored or administered by an organization as
22 defined in section 280.13, any amateur athletic contest or
23 competition in which all participants are under the age of
24 twenty-one, or any intercollegiate sport as defined in section
25 9A.102.

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

32 f. Disclose the number of entries a single internet fantasy
33 sports contest player may submit to each internet fantasy
34 sports contest and take reasonable steps to prevent players
35 from submitting more than the allowable number of entries for

1 that internet fantasy sports contest.

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

11 *h.* Annually contract with a third party to perform an
12 independent audit, consistent with the standards established
13 by the American institute of certified public accountants,
14 to ensure compliance with all of the requirements in this
15 chapter and submit the results of the independent audit to the
16 commission.

17 *i.* Pay the tax as provided in section 99E.6.

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

23 4. *a.* A licensed internet fantasy sports contest service
24 provider shall pay a regulatory fee to the commission. The
25 regulatory fee shall be established by the commission based on
26 the costs of administering and enforcing this chapter.

27 *b.* A licensed internet fantasy sports contest service
28 provider shall receive a credit for the amount of the
29 regulatory fee paid by the provider against the taxes to be
30 paid pursuant to section 99E.6.

31 *c.* Moneys collected by the commission from the regulatory
32 fees paid under this subsection shall be considered repayment
33 receipts as defined in section 8.2.

34 5. Upon a violation of any of the conditions listed in
35 section 99E.4 or this section by a licensee, the commission

1 shall immediately revoke the license.

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

4 1. A tax of seven and one-half percent is imposed on
5 internet fantasy sports contest adjusted revenues. The tax
6 imposed by this section shall be paid by the internet fantasy
7 sports contest service provider to the commission as provided
8 by the commission.

9 2. Of the revenues collected pursuant to this section, an
10 amount equal to one-half of one percent of internet fantasy
11 sports contest adjusted revenues is transferred to a special
12 revenue account in the general fund of the state to be used,
13 subject to an appropriation by the general assembly, by the
14 department of public health for purposes of the gambling
15 treatment program established pursuant to section 135.150. The
16 remaining amount of the revenues collected pursuant to this
17 section shall be deposited in the rebuild Iowa infrastructure
18 fund created in section 8.57.

19 **Sec. 7. NEW SECTION. 99E.7 Internet fantasy sports contests**
20 **— age restrictions.**

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

26 **Sec. 8. NEW SECTION. 99E.8 Division of criminal**
27 **investigation.**

28 The division of criminal investigation of the department of
29 public safety may investigate to determine licensee compliance
30 with the requirements of [this chapter](#). Investigations may be
31 conducted either on the criminal investigation division's own
32 initiative or at the request of the commission. The criminal
33 investigation division and the commission shall cooperate to
34 the maximum extent possible on an investigation.

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

1 1. A licensee or a person acting on behalf of a licensee
2 shall be provided electronic access to the names of the
3 persons indebted to a claimant agency pursuant to the process
4 established pursuant to [section 99E.3, subsection 5](#). The
5 electronic access provided by the claimant agency shall
6 include access to the names of the debtors, their social
7 security numbers, and any other information that assists the
8 licensee in identifying the debtors. If an internet fantasy
9 sports contest player located in this state makes an account
10 balance withdrawal equal to one thousand two hundred dollars
11 or greater, the licensee shall perform an electronic records
12 search of persons indebted to a claimant agency. If the name
13 of the internet fantasy sports contest player is retrieved by
14 the licensee pursuant to the records search, the retrieval of
15 such a name shall constitute a valid lien upon and claim of
16 lien against the account balance withdrawal of the internet
17 fantasy sports contest player whose name is electronically
18 retrieved from the claimant agency. If an internet fantasy
19 sports contest player's account balance withdrawal is equal
20 to or greater than one thousand two hundred dollars per
21 occurrence, the full amount of the debt shall be collectible
22 from any account balance withdrawal due the internet fantasy
23 sports contest player without regard to limitations on the
24 amounts that may be collectible in increments through setoff or
25 other proceedings.

26 2. The licensee is authorized and directed to withhold
27 any account balance withdrawal of an internet fantasy sports
28 contest player which is paid out directly by the licensee
29 subject to the lien created by [this section](#) and provide notice
30 of such withholding to the internet fantasy sports contest
31 player making the account balance withdrawal. The licensee
32 shall pay the funds over to the collection entity which
33 administers the setoff program pursuant to [section 8A.504](#).

34 3. Notwithstanding any other provision of law to the
35 contrary, the licensee may provide to a claimant agency all

1 information necessary to accomplish and effectuate the intent
2 of [this section](#), and likewise the claimant agency may provide
3 all information necessary to accomplish and effectuate the
4 intent of [this section](#).

5 4. The information obtained by a claimant agency from the
6 licensee in accordance with [this section](#) shall retain its
7 confidentiality and shall only be used by a claimant agency in
8 the pursuit of its debt collection duties and practices. An
9 employee or prior employee of a claimant agency who unlawfully
10 discloses any such information for any other purpose, except
11 as otherwise specifically authorized by law, shall be subject
12 to the penalties specified by law for unauthorized disclosure
13 of confidential information by an agent or employee of the
14 claimant agency.

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

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

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

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

33 In addition to any other penalty specified in this chapter,
34 a person who willfully fails to comply with the requirements
35 of this chapter and the rules adopted pursuant to chapter 17A

1 commits a class "D" felony and, in addition, shall be barred
2 for life from internet fantasy sports contests.

3 Sec. 11. Section 232C.4, subsection 3, Code 2017, is amended
4 to read as follows:

5 3. An emancipated minor shall remain subject to voting
6 restrictions under [chapter 48A](#), gambling restrictions under
7 [chapter 99B](#), [99D](#), [99F](#), [99G](#), or [725](#), internet fantasy sports
8 contest restrictions under chapter 99E, alcohol restrictions
9 under [chapter 123](#), compulsory attendance requirements under
10 chapter 299, and cigarette tobacco restrictions under chapter
11 453A.

12 Sec. 12. Section 714B.10, subsection 1, Code 2017, is
13 amended to read as follows:

14 1. Advertising by sponsors registered pursuant to chapter
15 557B, licensed pursuant to [chapter 99B](#), or regulated pursuant
16 to [chapter 99D](#), [99E](#), [99F](#), or [99G](#).

17 Sec. 13. Section 805.8C, Code 2017, is amended by adding the
18 following new subsection:

19 NEW SUBSECTION. 11. *Internet fantasy sports contest*
20 *violations.* For violations of legal age for entering an
21 internet fantasy sports contest under section 99E.7, the
22 scheduled fine is five hundred dollars. Failure to pay the
23 fine by a person under the age of eighteen shall not result in
24 the person being detained in a secure facility.

25 Sec. 14. TRANSITIONAL LICENSE. Notwithstanding any
26 provisions of Code chapter 99E as enacted by this Act to the
27 contrary, a person granted a license or registration by two
28 or more states to conduct internet fantasy sports contests
29 may apply for and shall be granted a transitional license by
30 the racing and gaming commission to conduct internet fantasy
31 sports contests in this state subject to the requirements of
32 Code chapter 99E, as enacted by this Act. The transitional
33 license shall be valid until the earlier of the date the
34 racing and gaming commission grants or denies a license under
35 section 99E.5 to the person to conduct internet fantasy sports

1 contests, or twelve months from the date the racing and gaming
2 commission accepts applications for issuance of a license to
3 conduct internet fantasy sports contests under section 99E.5.

4 Sec. 15. IMPLEMENTATION DATE. The following provision or
5 provisions of this Act shall not be implemented until July 1,
6 2019:

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

8 EXPLANATION

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

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

14 New Code section 99E.1 provides for definitions. A "fantasy
15 sports contest" is defined as any fantasy or simulated game
16 or contest in which all prizes and awards offered to winning
17 participants are established and made known in advance of the
18 contest, all winning outcomes reflect the relative knowledge
19 and skill of the participants and are determined predominantly
20 by accumulated statistical results of the performance of
21 individuals, and no winning outcome is based on the score, or
22 performance of any single actual team or combination of such
23 teams or solely on any single performance of an individual
24 athlete in any single actual sporting or other event. An
25 "internet fantasy sports contest" is defined as a method of
26 entering a fantasy sports contest by establishing an account
27 with an internet fantasy sports contest service provider. An
28 "internet fantasy sports contest player" is defined as a person
29 who is at least 21 years of age who participates in an internet
30 fantasy sports contest. The bill also defines internet fantasy
31 sports contest adjusted revenues, internet fantasy sports
32 contest service provider, and location percentage.

33 New Code section 99E.2 provides that the system of entering
34 an internet fantasy sports contest is legal when conducted by a
35 licensed internet fantasy sports contest service provider as

1 provided in the new Code chapter.

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

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

22 New Code section 99E.5 establishes the terms and conditions
23 of licenses issued to conduct internet fantasy sports contests.
24 The Code section provides that a license may be issued for
25 a period of not more than three years and provides that
26 the annual license fee shall be \$500. The new Code section
27 also provides for the payment of a regulatory fee to be set
28 by the racing and gaming commission based on the costs of
29 administering and enforcing the new Code chapter. The new
30 Code section further provides that each licensee shall receive
31 a credit for the amount of the regulatory fee paid against
32 taxes to be paid pursuant to the new Code chapter. The new
33 Code section provides that a licensed internet fantasy sports
34 contest service provider shall prevent any employees and
35 certain family members from participating in internet fantasy

1 sports contests on the service provider's digital platform,
2 verify that internet fantasy sports contest players located
3 in this state are 21 or older, ensure that participants in
4 a game or contest shall not be allowed to enter an internet
5 fantasy sports contest involving that game or contest, prohibit
6 internet fantasy sports contests based upon any interscholastic
7 or intercollegiate athletic contest or any amateur athletic
8 contest or competition in which all participants are under
9 the age of 21, permit individuals to restrict themselves
10 from entering an internet fantasy sports contest, perform an
11 independent audit, and pay the tax imposed by the new Code
12 chapter.

13 New Code section 99E.6 provides for a tax of 7.5 percent
14 to be imposed on internet fantasy sports contest adjusted
15 revenues. The bill defines, in new Code section 99E.1,
16 internet fantasy sports contest adjusted revenues as the total
17 of fees and charges collected, less winnings, in an internet
18 fantasy sports contest multiplied by the percentage of fees
19 and charges paid by participants who are located in this state
20 in that contest. The bill provides that of the revenues
21 collected, an amount equal to .5 percent of internet fantasy
22 sports contest adjusted revenues is transferred to a special
23 revenue account in the general fund to be used, subject to an
24 appropriation, by the department of public health for gambling
25 treatment with the remainder of revenues collected to be
26 deposited in the rebuild Iowa infrastructure fund.

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

33 New Code section 99E.8 authorizes the division of criminal
34 investigation of the department of public safety to investigate
35 licensee compliance with the requirements of the new Code

1 chapter.

2 New Code section 99E.9 requires a licensee to offset
3 account balance withdrawals of an internet fantasy sports
4 contest player who is a debtor in an amount equal to or greater
5 than \$1,200, subject to the requirements of this new Code
6 section. The bill provides that this Code section shall not be
7 implemented until July 1, 2019.

8 New Code section 99E.10 provides that, in addition to any
9 other penalty specified in the new Code chapter, a person who
10 willfully fails to comply with the requirements of the Code
11 chapter commits a class "D" felony and shall be barred for life
12 from internet fantasy sports contests.

13 Code section 232C.4, concerning emancipation orders and
14 minors, is amended to reflect that an emancipated minor is
15 subject to the age restrictions for internet fantasy sports
16 contests.

17 Code section 714B.10, concerning prize promotions, is
18 amended to exempt internet fantasy sports contests from the
19 Code chapter.

20 The bill provides for the issuance of a transitional license
21 by the racing and gaming commission to a person to conduct
22 internet fantasy sports contests in this state if the person
23 has been granted a license or registration by two or more other
24 states to conduct internet fantasy sports contests. The bill
25 provides that the transitional license shall be valid until the
26 earlier of the date the commission grants or denies a license
27 to the person or twelve months from the date the commission
28 accepts applications for issuance of a license.