

House Study Bill 52 - Introduced

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON VANDER LINDEN)

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, "*fully completed*
23 *game or contest*" means the entirety of the game or contest, and
24 not merely any portion thereof, and includes the entirety of a
25 game or contest that has been suspended or shortened on account
26 of weather or other natural or unforeseen event.

27 4. "*Internet fantasy sports contest*" means a method of
28 entering a fantasy sports contest by which a person may
29 establish an account with an internet fantasy sports contest
30 service provider, deposit money into the account, and use
31 the account balance for entering a fantasy sports contest by
32 utilizing electronic communication.

33 5. "*Internet fantasy sports contest adjusted revenues*" means,
34 for each internet fantasy sports contest, the amount equal to
35 the total charges and fees collected from all participants

1 entering the internet fantasy sports contest less winnings paid
2 to participants in the contest, multiplied by the location
3 percentage.

4 6. "*Internet fantasy sports contest player*" means a person
5 who is at least twenty-one years of age and participates in an
6 internet fantasy sports contest operated by an internet fantasy
7 sports contest service provider.

8 7. "*Internet fantasy sports contest service provider*" means
9 a person, including a licensee under chapter 99D or 99F, who
10 conducts an internet fantasy sports contest as authorized by
11 this chapter.

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

18 Sec. 2. NEW SECTION. **99E.2 Internet fantasy sports contests**
19 **authorized.**

20 The system of entering an internet fantasy sports contest as
21 provided by this chapter is legal when conducted by a licensed
22 internet fantasy sports contest service provider as provided in
23 this chapter.

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

25 The commission shall have full jurisdiction over and shall
26 supervise internet fantasy sports contests and internet fantasy
27 sports contest service providers as governed by this chapter.
28 The commission shall have the following powers and shall adopt
29 rules pursuant to chapter 17A to implement this chapter:

30 1. To investigate applicants and determine the eligibility
31 of applicants for a license to conduct internet fantasy sports
32 contests.

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

35 3. To investigate alleged violations of this chapter

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

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

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

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

14 Sec. 4. NEW SECTION. **99E.4 Requirements of applicant — fee**
15 **— penalty.**

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

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

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

1 of criminal investigation, and shall be considered repayment
2 receipts as defined in section 8.2.

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

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

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

12 c. The applicant does not adequately disclose the true
13 owners of the enterprise proposed.

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

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

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

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

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

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

28 **Sec. 5. NEW SECTION. 99E.5 Licenses — fees — terms and**
29 **conditions — revocation.**

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

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

3 *a.* Prevent employees of the internet fantasy sports contest
4 service provider and family members related within the second
5 degree of affinity or consanguinity of such employees from
6 competing in any internet fantasy sports contest conducted by
7 any service provider in which the service provider offers a
8 cash prize over five dollars.

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

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

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

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

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

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

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

16 *i.* 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
27 include access to the names of the debtors, their social
28 security numbers, and any other information that assists the
29 licensee in identifying the debtors. If an internet fantasy
30 sports contest player located in this state makes an account
31 balance withdrawal equal to one thousand two hundred dollars
32 or greater, the licensee shall perform an electronic records
33 search of persons indebted to a claimant agency. If the name
34 of the internet fantasy sports contest player is retrieved by
35 the licensee pursuant to the records search, the retrieval of

1 such a name shall constitute a valid lien upon and claim of
2 lien against the account balance withdrawal of the internet
3 fantasy sports contest player whose name is electronically
4 retrieved from the claimant agency. If an internet fantasy
5 sports contest player's account balance withdrawal is equal
6 to or greater than one thousand two hundred dollars per
7 occurrence, the full amount of the debt shall be collectible
8 from any account balance withdrawal due the internet fantasy
9 sports contest player without regard to limitations on the
10 amounts that may be collectible in increments through setoff or
11 other proceedings.

12 2. The licensee is authorized and directed to withhold
13 any account balance withdrawal of an internet fantasy sports
14 contest player which is paid out directly by the licensee
15 subject to the lien created by [this section](#) and provide notice
16 of such withholding to the internet fantasy sports contest
17 player making the account balance withdrawal. The licensee
18 shall pay the funds over to the collection entity which
19 administers the setoff program pursuant to [section 8A.504](#).

20 3. Notwithstanding any other provision of law to the
21 contrary, the licensee may provide to a claimant agency all
22 information necessary to accomplish and effectuate the intent
23 of [this section](#), and likewise the claimant agency may provide
24 all information necessary to accomplish and effectuate the
25 intent of [this section](#).

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

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

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

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

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

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

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

26 3. An emancipated minor shall remain subject to voting
27 restrictions under [chapter 48A](#), gambling restrictions under
28 chapter 99B, [99D](#), [99F](#), [99G](#), or [725](#), internet fantasy sports
29 contest restrictions under chapter 99E, alcohol restrictions
30 under [chapter 123](#), compulsory attendance requirements under
31 chapter 299, and cigarette tobacco restrictions under chapter
32 453A.

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

35 1. Advertising by sponsors registered pursuant to chapter

1 557B, licensed pursuant to [chapter 99B](#), or regulated pursuant
2 to [chapter 99D](#), [99E](#), [99F](#), or [99G](#).

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

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

11 Sec. 14. IMPLEMENTATION DATE. The following provision or
12 provisions of this Act shall not be implemented until July 1,
13 2019:

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

15 EXPLANATION

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

18 This bill authorizes internet fantasy sports contests
19 and provides for the licensing, regulation, and taxation of
20 internet fantasy sports contests.

21 New Code section 99E.1 provides for definitions. A "fantasy
22 sports contest" is defined as any fantasy or simulated game
23 or contest in which all prizes and awards offered to winning
24 participants are established and made known in advance of the
25 contest, all winning outcomes reflect the relative knowledge
26 and skill of the participants and are determined predominantly
27 by accumulated statistical results of the performance of
28 individuals in a fully completed game or contest, and no
29 winning outcome is based on the score, or performance of any
30 single actual team or combination of such teams or solely on
31 any single performance of an individual athlete in any single
32 actual sporting or other event. An "internet fantasy sports
33 contest" is defined as a method of entering a fantasy sports
34 contest by establishing an account with an internet fantasy
35 sports contest service provider. An "internet fantasy sports

1 contest player” is defined as a person who is at least 21 years
2 of age who participates in an internet fantasy sports contest.
3 The bill also defines internet fantasy sports contest adjusted
4 revenues, internet fantasy sports contest service provider, and
5 location percentage.

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

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

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

29 New Code section 99E.5 establishes the terms and conditions
30 of licenses issued to conduct internet fantasy sports contests.
31 The Code section provides that a license may be issued for
32 a period of not more than three years and provides that
33 the annual license fee shall be \$500. The new Code section
34 provides that a licensed internet fantasy sports contest
35 service provider shall prevent any employees and certain family

1 members from participating in internet fantasy sports contests,
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
17 total of fees and charges collected, less winnings, in an
18 internet fantasy sports contest multiplied by the percentage
19 of fees and charges paid by participants who are located in
20 this state in that contest. The bill provides that of the
21 revenues collected, an amount equal to .5 percent of internet
22 fantasy sports contest adjusted revenues is appropriated to the
23 department of public health for gambling treatment with the
24 remainder of revenues collected to be deposited in the rebuild
25 Iowa infrastructure fund.

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

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

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

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

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

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