SENATE FILE 2470
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2085)

A BILL FOR

1 An Act relating to event-driven contracts traded on dedicated
2   contract markets by requiring a permit to conduct business
3   in the state, imposing a tax on adjusted revenues,
4   making adjustments to individual and corporate income
5   taxes, providing for fees, and including applicability and
6   retroactive applicability provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1   Section 1. NEW SECTION. **99H.1 Definitions.**
2   As used in this chapter, unless the context otherwise
3 requires:
4   1. *"Adjusted revenues"* means for each event-driven contract
5 the amount equal to the total charges and fees collected from all
6 traders participating in the event-driven contract less payouts
7 made to traders participating in the event-driven contract,
8 multiplied by the location percentage.
9   2. *"Department"* means the department of revenue.
10   3. *"Designated contract market"* means a digital marketplace
11 for trading event-driven contracts that is also regulated by the
12 federal commodity futures trading commission.
13   4. *"Director"* means the director of revenue.
14   5. *"Economic indicators"* means a statistic or data point
15 about an economic activity that allows an analyst to assess
16 current economic performance.
17   6. *"Event-driven contract"* means a financial derivative
18 traded on a designated contract market that provides a fixed
19 binary payout based upon the occurrence or nonoccurrence of a
20 specific future event that is contingent upon and determined
21 solely by the definitive outcome of a verifiable specific
22 event or external measure rather than being based upon the
23 continuous fluctuation of a security price, commodity value, or
24 interest rate that may or may not correlate with traditional
25 market prices or broad economic measures. An *"event-driven*
26 *contract"* is limited to those financial derivatives that provide
27 a fixed binary payout related to sporting activities, lotteries,
28 elections, legislative actions, and economic indicators.
29   7. *"Location percentage"* means for each event-driven
30 contract, the percentage rounded to the nearest one
31 ten-thousandth of a percent, equal to the total charges and
32 fees collected from all traders located in this state divided
33 by the total charges and fees collected from all traders in the
34 event-driven contract.
35   8. *"Sporting activities"* means the outcome of an authorized

1 sporting event, outcomes within the event, or outcomes
2 surrounding the event.
3 9. *"Trader"* means any person buying or selling event-driven
4 contracts on a designated contract marketplace.
5 Sec. 2. NEW SECTION. **99H.2 Administration —— rules.**
6 1. The department shall administer this chapter. The
7 department shall collect, supervise, and enforce the collection
8 of all fees and taxes imposed under this chapter.
9 2. The director may adopt rules pursuant to chapter 17A that
10 are necessary to enforce this chapter.
11 3. The director may designate employees to administer and
12 enforce the provisions of this chapter, including the collection
13 of all taxes provided for in this chapter. In the enforcement,
14 the director may request aid from the attorney general, the
15 special agents of the state, any county attorney, or any peace
16 officer. The director may appoint clerks and additional help as
17 may be needed to administer this chapter.
18 Sec. 3. NEW SECTION. **99H.3 Scope of provisions.**
19 This chapter does not apply to the pari-mutuel system of
20 wagering used or intended to be used in connection with the
21 horse-race or dog-race meetings as authorized under chapter
22 99D, fantasy sports contests as authorized under chapter 99E,
23 sports wagering authorized under chapter 99F, or other financial
24 derivatives that are not event-driven contracts.
25 Sec. 4. NEW SECTION. **99H.4 Application —— permit ——**
26 **registration.**
27 1. A person shall not engage in the business of serving as a
28 designated contract market at any place of business in this state
29 or through delivery sales, unless the person obtains a permit
30 through the department.
31 2. An application for a permit under this chapter shall
32 be made to the department in an electronic format or made
33 in any other manner prescribed by the department accompanied
34 by any associated fees required for the permit and any other
35 supporting documentation required. The application shall include

1 information that is reasonably necessary to identify the person
2 applying for the permit and to administer and collect the taxes
3 imposed under this chapter.
4   3. *a.* A person issued a permit shall pay an initial permit
5 fee of ten million dollars.
6   *b.* All permits expire June 30 each year. The annual renewal
7 permit fee shall be one hundred thousand dollars.
8   Sec. 5. NEW SECTION. **99H.5 Prediction market tax.**
9   A tax is imposed on the adjusted revenues received each
10 calendar year by a designated contract market from the
11 event-driven contracts authorized under this chapter at the rate
12 of twenty percent. The taxes imposed for event-driven contracts
13 under this chapter shall be paid by the designated contract
14 market to the treasurer of state as determined by the department.
15   Sec. 6. NEW SECTION. **99H.6 Revenues.**
16   All revenues generated under this chapter shall be deposited
17 into the general fund of the state.
18   Sec. 7. NEW SECTION. **99H.7 Withholding.**
19   All payouts made to traders participating in an event-driven
20 contract are Iowa earned income and are subject to state and
21 federal income tax laws. An amount deducted from revenues for
22 payment of the state tax, pursuant to section 422.16, subsection
23 2, shall be remitted to the department of revenue on behalf of
24 the trader by the designated contract market.
25   Sec. 8. Section 422.7, Code 2026, is amended by adding the
26 following new subsection:
27   NEW SUBSECTION. 41. *a.* For purposes of this subsection,
28 *"event-driven contract"* means the same as defined in section
29 99H.1.
30   *b.* Section 1256 of the Internal Revenue Code, with respect
31 to event-driven contracts, does not apply in computing net income
32 for state tax purposes. If the taxpayer's federal taxable income
33 for the tax year was increased or decreased by reason of the
34 application of section 1256 of the Internal Revenue Code with
35 regard to event-driven contracts, the taxpayer shall recompute

1 net income for state tax purposes as follows:

2   (1) Subtract net gain or add net loss from event-driven
3 contracts, including any loss carried back from a previous tax
4 year.

5   (2) Add gain from each event-driven contract.

6   (3) If the taxpayer itemized deductions, subtract the total
7 loss from each event-driven contract for the same tax year up
8 to an amount equal to ninety percent of the gain added in
9 subparagraph (2).

10   *c.* The director shall prescribe rules to carry out the
11 provisions of this subsection, including the creation of forms
12 for a taxpayer to use to report gain and loss for event-driven
13 contracts.

14   Sec. 9. Section 422.16, subsection 2, Code 2026, is amended
15 by adding the following new paragraph:

16   NEW PARAGRAPH. *0e.* (1) For purposes of this subsection,
17 state income tax shall be withheld on gains in excess of six
18 hundred dollars derived from an event-driven contract that is
19 subject to federal taxation under section 1256 of the Internal
20 Revenue Code.

21   (2) For purposes of this paragraph, *"event-driven contract"*
22 means the same as defined in section 99H.1.

23   Sec. 10. Section 422.35, Code 2026, is amended by adding the
24 following new subsection:

25   NEW SUBSECTION. 15. *a.* For purposes of this subsection,
26 *"event-driven contract"* means the same as defined in section
27 99H.1.

28   *b.* Section 1256 of the Internal Revenue Code, with respect
29 to event-driven contracts, does not apply in computing net income
30 for state tax purposes. If the taxpayer's federal taxable income
31 for the tax year was increased or decreased by reason of the
32 application of section 1256 of the Internal Revenue Code with
33 regard to event-driven contracts, the taxpayer shall recompute
34 net income for state tax purposes as follows:

35   (1) Subtract net gain or add net loss from event-driven

1 contracts, including any loss carried back from a previous tax
2 year.
3   (2) Add gain from each event-driven contract.
4   (3) If the taxpayer itemized deductions, subtract the total
5 loss from each event-driven contract for the same tax year up
6 to an amount equal to ninety percent of the gain added in
7 subparagraph (2).
8   *c.* The director shall prescribe rules to carry out the
9 provisions of this subsection, including the creation of forms
10 for a taxpayer to use to report gain and loss for event-driven
11 contracts.
12   Sec. 11. RETROACTIVE APPLICABILITY. The following apply
13 retroactively to January 1, 2026, for tax years beginning on or
14 after that date:
15   1. The section of this Act enacting section 422.7, subsection
16 41.
17   2. The section of this Act enacting section 422.33,
18 subsection 15.
19   Sec. 12. APPLICABILITY. For purposes of the imposition and
20 collection of the prediction market tax in new Code chapter 99H,
21 if enacted by this Act, the first tax year shall begin July 1,
22 2026, and end December 31, 2026, and afterwards each tax year
23 shall begin January 1.
24   EXPLANATION
25   The inclusion of this explanation does not constitute agreement with
26   the explanation's substance by the members of the general assembly.
27   This bill relates to event-driven contracts traded on
28 dedicated contract markets by requiring a permit to conduct
29 business in the state, imposing a tax on adjusted revenues, and
30 making adjustments to individual and corporate income taxes.
31   REGULATION AND ADMINISTRATION. The bill defines "event-driven
32 contract" to generally mean a financial derivative traded on a
33 designated contract market (prediction market) that is regulated
34 by the federal commodity futures trading commission that provides
35 a fixed binary payout based upon the occurrence or nonoccurrence

1 of a specific future event rather than being based upon the
2 continuous fluctuation of a security price, commodity value, or
3 interest rate. The bill limits event-driven contracts to those
4 financial derivatives relating to sporting activities, lotteries,
5 elections, legislative actions, and economic indicators.
6 The bill prohibits a person from engaging in the business
7 of serving as a prediction market at any place of business in
8 this state or through delivery sales, unless the person obtains a
9 permit through the department of revenue (department).
10 The bill directs the department to administer the bill.
11 The bill requires an application for a permit to be made to
12 the department in an electronic format or made in any other
13 manner prescribed by the department accompanied by any associated
14 fees required for the permit and any supporting documentation
15 required. The application shall include information that is
16 reasonably necessary to identify the person applying for the
17 permit and to administer and collect the taxes imposed under the
18 bill. The bill establishes the initial fee to obtain a permit
19 at $10 million. All permits expire June 30. The annual renewal
20 permit fee is established at $100,000.
21 The bill imposes a new tax on the adjusted revenues received
22 each calendar year by a prediction market from any event-driven
23 contracts authorized at the rate of 20 percent. The bill defines
24 "adjusted revenues".
25 The bill specifies all revenues generated from the fees and
26 the new tax are credited to the general fund of the state.
27 INDIVIDUAL AND CORPORATE INCOME TAXES. The starting point for
28 determining either individual or corporate Iowa net income is
29 federal taxable income. The bill specifies section 1256 of
30 the Internal Revenue Code (IRC), with respect to event-driven
31 contracts, does not apply in computing net income for purposes of
32 state individual and corporate income taxes. The bill requires
33 a taxpayer to recompute the gains and losses from event-driven
34 contracts including any loss carried back for purposes of Iowa
35 net income and then requires the taxpayer to add back the gain

1 derived from trading on a prediction market if the trade involves
2 an event-driven contract. If the taxpayer itemized deductions
3 on the taxpayer's federal return, the bill requires the taxpayer
4 to subtract the total loss from each event-driven contract up
5 to an amount equal to 90 percent of the gains added back from
6 event-driven contracts. The provisions apply retroactively to
7 January 1, 2026, for tax years beginning on or after that date.
8   The bill requires state income tax to be withheld on gains
9 derived from an event-driven contract that is subject to federal
10 taxation under section 1256 of the IRC and is in excess of $600.