

**Senate File 2470 - Introduced**

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, making  
4 adjustments to individual and corporate income taxes,  
5 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  
6 all traders participating in the event-driven contract less  
7 payouts made to traders participating in the event-driven  
8 contract, 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  
12 the 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 event  
22 or external measure rather than being based upon the continuous  
23 fluctuation of a security price, commodity value, or interest  
24 rate that may or may not correlate with traditional market  
25 prices or broad economic measures. An "*event-driven contract*"  
26 is limited to those financial derivatives that provide a fixed  
27 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  
12 and enforce the provisions of this chapter, including the  
13 collection of all taxes provided for in this chapter. In the  
14 enforcement, the director may request aid from the attorney  
15 general, the special agents of the state, any county attorney,  
16 or any peace officer. The director may appoint clerks and  
17 additional help as 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  
23 99E, sports wagering authorized under chapter 99F, or other  
24 financial 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  
28 a designated contract market at any place of business in this  
29 state or through delivery sales, unless the person obtains a  
30 permit 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

1 include information that is reasonably necessary to identify  
2 the person applying for the permit and to administer and  
3 collect the taxes 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  
12 rate of twenty percent. The taxes imposed for event-driven  
13 contracts under this chapter shall be paid by the designated  
14 contract market to the treasurer of state as determined by the  
15 department.

16 Sec. 6. NEW SECTION. 99H.6 Revenues.

17 All revenues generated under this chapter shall be deposited  
18 into the general fund of the state.

19 Sec. 7. NEW SECTION. 99H.7 Withholding.

20 All payouts made to traders participating in an event-driven  
21 contract are Iowa earned income and are subject to state and  
22 federal income tax laws. An amount deducted from revenues  
23 for payment of the state tax, pursuant to section 422.16,  
24 subsection 2, shall be remitted to the department of revenue on  
25 behalf of the trader by the designated contract market.

26 Sec. 8. Section 422.7, Code 2026, is amended by adding the  
27 following new subsection:

28 NEW SUBSECTION. 41. a. For purposes of this subsection,  
29 "*event-driven contract*" means the same as defined in section  
30 99H.1.

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

1 Revenue Code with regard to event-driven contracts, the  
2 taxpayer shall recompute net income for state tax purposes as  
3 follows:

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

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

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

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

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

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

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

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

27 NEW SUBSECTION. 15. 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  
32 income for state tax purposes. If the taxpayer's federal  
33 taxable income for the tax year was increased or decreased  
34 by reason of the application of section 1256 of the Internal  
35 Revenue Code with regard to event-driven contracts, the

1 taxpayer shall recompute net income for state tax purposes as  
2 follows:

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

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

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

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

15 Sec. 11. RETROACTIVE APPLICABILITY. The following apply  
16 retroactively to January 1, 2026, for tax years beginning on  
17 or after that date:

18 1. The section of this Act enacting section 422.7,  
19 subsection 41.

20 2. The section of this Act enacting section 422.33,  
21 subsection 15.

22 Sec. 12. APPLICABILITY. For purposes of the imposition and  
23 collection of the prediction market tax in new Code chapter  
24 99H, if enacted by this Act, the first tax year shall begin  
25 July 1, 2026, and end December 31, 2026, and afterwards each  
26 tax year shall begin January 1.

27 EXPLANATION

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

30 This bill relates to event-driven contracts traded on  
31 dedicated contract markets by requiring a permit to conduct  
32 business in the state, imposing a tax on adjusted revenues, and  
33 making adjustments to individual and corporate income taxes.

34 REGULATION AND ADMINISTRATION. The bill defines  
35 "event-driven contract" to generally mean a financial

1 derivative traded on a designated contract market (prediction  
2 market) that is regulated by the federal commodity futures  
3 trading commission that provides a fixed binary payout based  
4 upon the occurrence or nonoccurrence of a specific future event  
5 rather than being based upon the continuous fluctuation of a  
6 security price, commodity value, or interest rate. The bill  
7 limits event-driven contracts to those financial derivatives  
8 relating to sporting activities, lotteries, elections,  
9 legislative actions, and economic indicators.

10 The bill prohibits a person from engaging in the business of  
11 serving as a prediction market at any place of business in this  
12 state or through delivery sales, unless the person obtains a  
13 permit through the department of revenue (department).

14 The bill directs the department to administer the bill. The  
15 bill requires an application for a permit to be made to the  
16 department in an electronic format or made in any other manner  
17 prescribed by the department accompanied by any associated  
18 fees required for the permit and any supporting documentation  
19 required. The application shall include information that is  
20 reasonably necessary to identify the person applying for the  
21 permit and to administer and collect the taxes imposed under  
22 the bill. The bill establishes the initial fee to obtain a  
23 permit at \$10 million. All permits expire June 30. The annual  
24 renewal permit fee is established at \$100,000.

25 The bill imposes a new tax on the adjusted revenues received  
26 each calendar year by a prediction market from any event-driven  
27 contracts authorized at the rate of 20 percent. The bill  
28 defines "adjusted revenues".

29 The bill specifies all revenues generated from the fees and  
30 the new tax are credited to the general fund of the state.

31 INDIVIDUAL AND CORPORATE INCOME TAXES. The starting point  
32 for determining either individual or corporate Iowa net income  
33 is federal taxable income. The bill specifies section 1256 of  
34 the Internal Revenue Code (IRC), with respect to event-driven  
35 contracts, does not apply in computing net income for purposes

1 of state individual and corporate income taxes. The bill  
2 requires a taxpayer to recompute the gains and losses from  
3 event-driven contracts including any loss carried back for  
4 purposes of Iowa net income and then requires the taxpayer  
5 to add back the gain derived from trading on a prediction  
6 market if the trade involves an event-driven contract. If  
7 the taxpayer itemized deductions on the taxpayer's federal  
8 return, the bill requires the taxpayer to subtract the total  
9 loss from each event-driven contract up to an amount equal to  
10 90 percent of the gains added back from event-driven contracts.  
11 The provisions apply retroactively to January 1, 2026, for tax  
12 years beginning on or after that date.

13 The bill requires state income tax to be withheld on gains  
14 derived from an event-driven contract that is subject to  
15 federal taxation under section 1256 of the IRC and is in excess  
16 of \$600.