SENATE FILE 2470
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2085)

(As Amended and Passed by the Senate March 31, 2026)
_____ and [= New Language by the Senate

A BILL FOR

An Act relating to event-driven contracts traded on dedicated contract markets by requiring a permit to conduct business in the state, imposing a tax on adjusted revenues or amounts traded, making adjustments to individual and corporate income taxes, providing for fees, and including contingent effective date, applicability, and retroactive applicability provisions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

DESIGNATED CONTRACT MARKET TAX

Section 1. NEW SECTION. **99H.1 Definitions.**

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

1. *"Adjusted revenues"* means for each event-driven contract the amount equal to the total charges and fees collected from all traders participating in the event-driven contract less payouts made to traders participating in the event-driven contract, multiplied by the location percentage.

2. *"Department"* means the department of revenue.

3. *"Designated contract market"* means a digital marketplace for trading event-driven contracts that is also regulated by the federal commodity futures trading commission.

4. *"Director"* means the director of revenue.

5. *"Economic indicators"* means a statistic or data point about an economic activity that allows an analyst to assess current economic performance.

6. *"Event-driven contract"* means a financial derivative traded on a designated contract market that provides a fixed binary payout based upon the occurrence or nonoccurrence of a specific future event that is contingent upon and determined solely by the definitive outcome of a verifiable specific event or external measure rather than being based upon the continuous fluctuation of a security price, commodity value, or interest rate that may or may not correlate with traditional market prices or broad economic measures. An *"event-driven contract"* is limited to those financial derivatives that provide a fixed binary payout related to sporting activities, lotteries, elections, legislative actions, and economic indicators.

7. *"Location percentage"* means for each event-driven contract, the percentage rounded to the nearest one ten-thousandth of a percent, equal to the total charges and fees collected from all traders located in this state divided by the total charges and fees collected from all traders in the

event-driven contract.

8. *"Sporting activities"* means the outcome of a sporting event, outcomes within the event, or outcomes surrounding the event.

9. *"Trader"* means any person buying or selling event-driven contracts on a designated contract marketplace.

Sec. 2. NEW SECTION. **99H.2 Administration — rules.**

1. The department shall administer this chapter. The department shall collect, supervise, and enforce the collection of all fees and taxes imposed under this chapter.

2. The director may adopt rules pursuant to chapter 17A that are necessary to enforce this chapter.

3. The director may designate employees to administer and enforce the provisions of this chapter, including the collection of all taxes provided for in this chapter. In the enforcement, the director may request aid from the attorney general, the special agents of the state, any county attorney, or any peace officer. The director may appoint clerks and additional help as may be needed to administer this chapter.

Sec. 3. NEW SECTION. **99H.3 Scope of provisions.**

This chapter does not apply to the pari-mutuel system of wagering used or intended to be used in connection with the horse-race or dog-race meetings as authorized under chapter 99D, fantasy sports contests as authorized under chapter 99E, sports wagering authorized under chapter 99F, or other financial derivatives that are not event-driven contracts.

Sec. 4. NEW SECTION. **99H.4 Application — permit — registration.**

1. A person shall not engage in the business of serving as a designated contract market at any place of business in this state or through delivery sales, unless the person obtains a permit through the department.

2. An application for a permit under this chapter shall be made to the department in an electronic format or made in any other manner prescribed by the department accompanied

by any associated fees required for the permit and any other supporting documentation required. The application shall include information that is reasonably necessary to identify the person applying for the permit and to administer and collect the taxes imposed under this chapter.

3. *a.* A person issued a permit shall pay an initial permit fee of twenty million dollars.

b. All permits expire June 30 each year. The annual renewal permit fee shall be one hundred thousand dollars.

Sec. 5. NEW SECTION. **99H.5 Designated contract market tax.**

A tax is imposed on the adjusted revenues received each calendar year by a designated contract market from the event-driven contracts authorized under this chapter at the rate of twenty percent. The taxes imposed for event-driven contracts under this chapter shall be paid by the designated contract market to the treasurer of state as determined by the department.

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

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

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

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

Sec. 8. NEW SECTION. **99H.8 Applicability.**

This chapter applies to a designated contract market permitting persons in this state to trade event-driven contracts until such time a court of competent jurisdiction, after all appeals have been exhausted, determines that event-driven contracts are subject to regulation under chapter 99F.

Sec. 9. Section 422.7, Code 2026, is amended by adding the

following new subsection:

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

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

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

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

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

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

Sec. 10. Section 422.16, subsection 2, Code 2026, is amended by adding the following new paragraph:

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

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

Sec. 11. Section 422.35, Code 2026, is amended by adding the following new subsection:

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

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

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

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

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

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

Sec. 12. RETROACTIVE APPLICABILITY. The following apply retroactively to January 1, 2026, for tax years beginning on or after that date:

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

2. The section of this division of this Act enacting section 422.35, subsection 15.

Sec. 13. APPLICABILITY. For purposes of the imposition and collection of the designated contract market tax in new Code chapter 99H, if enacted by this Act, the first tax year shall begin July 1, 2026, and end December 31, 2026, and afterwards each tax year shall begin January 1.

DIVISION II

EVENT-DRIVEN CONTRACT EXCISE TAX

Sec. 14. NEW SECTION. **453F.1 Definitions.**

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

1. *"Department"* means the department of revenue.

2. *"Designated contract market"* means a digital marketplace for trading event-driven contracts that is also regulated by the federal commodity futures trading commission.

3. *"Director"* means the director of revenue.

4. *"Economic indicators"* means a statistic or data point about an economic activity that allows an analyst to assess current economic performance.

5. *"Event-driven contract"* means a financial derivative traded on a designated contract market that provides a fixed binary payout based upon the occurrence or nonoccurrence of a specific future event that is contingent upon and determined solely by the definitive outcome of a verifiable specific event or external measure rather than being based upon the continuous fluctuation of a security price, commodity value, or interest rate that may or may not correlate with traditional market prices or broad economic measures. An *"event-driven contract"* is limited to those financial derivatives that provide a fixed binary payout related to sporting activities, lotteries, elections, legislative actions, and economic indicators.

6. *"Sporting activities"* means the outcome of a sporting event, outcomes within the event, or outcomes surrounding the event.

7. *"Trader"* means any person buying or selling event-driven contracts on a designated contract market.

Sec. 15. NEW SECTION. **453F.2 Scope of chapter.**

This chapter does not apply to the pari-mutuel system of wagering used or intended to be used in connection with the horse-race or dog-race meetings as authorized under chapter 99D, fantasy sports contests as authorized under chapter

99E, sports wagering authorized under chapter 99F, or other financial derivatives that are not event-driven contracts.

Sec. 16. NEW SECTION. **453F.3 Event-driven contract excise tax.**

For the privilege of doing business in the state as a designated contract market, a tax is imposed on the amount to buy an event-driven contract on a designated contract market at the rate of twenty percent of the amount to buy the event-driven contract. The taxes imposed for event-driven contracts under this chapter shall be collected by the designated contract market and paid to the treasurer of state as determined by the department.

Sec. 17. NEW SECTION. **453F.4 Revenues.**

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

Sec. 18. NEW SECTION. **453F.5 Administration.**

1. The director shall administer the excise tax imposed under this chapter as nearly as possible in conjunction with the administration of the state sales and use tax law, except that portion of the law that implements the streamlined sales and use tax agreement. The director shall provide appropriate forms, or provide on the regular state tax forms, for reporting event-driven contract excise tax liability, and for ease of administration may require event-driven contract excise tax liability to be identified, reported, and remitted to the department as sales and use tax liability, provided the department has the ability to properly identify such amounts as event-driven contract excise tax revenues upon receipt.

2. The director may require all persons who are engaged in the business of deriving any sales price or purchase price subject to tax under this chapter to register with the department. The director may also require a tax permit applicable only to this section for any designated contract market not collecting, or any trader not paying, taxes under chapter 423.

3. Section 422.25, subsection 4, sections 422.30, 422.67, and 422.68, section 422.69, subsection 1, sections 422.70, 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection 1, and sections 423.23, 423.24, 423.25, 423.31 through 423.35, 423.37, 423.39 through 423.42, and 423.47, consistent with the provisions of this chapter, shall apply with respect to the tax authorized under this chapter in the same manner and with the same effect as if the excise taxes on the trades were retail sales taxes within the meaning of those statutes. Notwithstanding this subsection, the director shall provide for monthly filing of returns and for other than monthly filing of returns both as prescribed in section 423.31.

4. The tax imposed by this chapter shall not apply with respect to any trades which under the constitution and laws of the United States may not be made the subject of taxation by this state.

5. The tax imposed by this chapter shall be in addition to any other taxes imposed by law.

6. All excise taxes collected under this chapter by any person are deemed to be held in trust for the state of Iowa.

7. The department shall adopt rules pursuant to chapter 17A to administer this chapter.

Sec. 19. CONTINGENT EFFECTIVE DATE. This division of this Act takes effect six months from the date the attorney general notifies the general assembly and the Code editor that the tax imposed in section 99H.5, if enacted by this Act, has been declared unconstitutional or is otherwise unenforceable by the state, and all appeals have been exhausted.