



REGULATIONS

Playing by the rules

Iowa and Indiana are the two most recent states to launch sports betting, here's a recap of the pertinent legal and regulatory facts operators need to follow

Since the decision of the U.S. Supreme Court in *Murphy v. NCAA*, 584 U.S. ___, 138 S. Ct. 1461 (2018), striking down the Professional and Amateur Sports Protection Act (PASPA) last year, states across the country have been moving forward with plans to authorize sports betting.

Most of the states legalizing sports betting are states that already have some form of legal gaming and, typically, some form of casino-style gaming. Nevada was the only state with full sports betting prior to *Murphy*. New Jersey was the plaintiff in *Murphy*, so it is no surprise that it was one of the first to authorize sports betting after the decision was announced.

Delaware, which was one of the states exempted by PASPA, had limited sports betting operated by its lottery prior to *Murphy*. The Delaware Lottery rapidly expanded its sports betting offerings after PASPA was struck down. Mississippi, West Virginia, Pennsylvania and Rhode Island followed soon thereafter.

Sports betting is also underway in Arkansas, at certain casinos in New York and at certain Native American casinos in New Mexico. Other states and territories in the U.S. have passed sports betting legislation, but have not

yet launched, including Illinois, Montana, New Hampshire, North Carolina (Cherokee), Tennessee, Washington, D.C. and, arguably Oregon (taking the position that the lottery has existing authority).

Two of the states to launch sports betting most recently are Iowa and Indiana. This article focuses on the laws and emergency regulations recently proposed or adopted in these two states.

IOWA

In Iowa, Senate File 617 was passed in April of 2019 and signed into law in May. On July 30, 2019, the Iowa Racing and Gaming Commission adopted emergency rules governing sports betting (the Iowa Rules) and granted licenses to 18 of the 19 casinos in Iowa. The Rules became effective on July 31, 2019, but sports betting was not allowed to begin until August 15, 2019, at noon.

The Iowa Rules authorize both mobile and retail sports betting. Licensees are allowed to enter into agreements with "advance deposit sports wagering operators" to help them conduct their retail and mobile sports wagering.

Players must be at least 21 to wager. Operators are required to give the public access to "sports wagering rules, available wagers, odds or payouts, payout period, and the source of the information used to determine the outcome of a sports wager." Notably, the Iowa Rules do not require any particular source of information to be used in determining the outcome.

Nor do they require the payment of "integrity fees." The tax rate on "sports betting net receipts" (net win) in Iowa is 6.75 percent. In addition, qualified sponsoring organizations are required to provide for contributions to charitable organizations benefiting the local community equivalent to 0.75 percent of net win. Licensees who are horse or dog tracks are required to contribute a portion of sports betting net receipts to purses.

Both the casino hosting the sports betting operation and the contracted operator must be licensed, with the casino paying a \$45,000 application and \$10,000 annual renewal fee. Internal controls and technology must be submitted and approved before use in a sports betting operation. Internal controls must prohibit wagering by coaches, athletic trainers,

officials, players or other participants in an authorized sporting event, or those employed in positions where they have direct involvement with any of the above.

Most sports wagering laws prohibit certain types of wagers. One of the unique aspects of the Iowa Rules is that they prohibit (1) proposition wagers involving individual athletes who compete on behalf of any Iowa collegiate team, even if the competition takes place outside of Iowa and (2) wagers on the performance of athletes in individual international sporting events governed by the International Olympic Committee if any participant is under 18 years of age.

INDIANA

Sports betting in Indiana was authorized by H 1015 and signed into law by the governor on May 8, 2019. The bill allows both retail and online sports wagering.

A licensee or permit holder may contract with a vendor to conduct sports wagering within a licensed facility or through mobile devices. The application fee for a licensed owner or vendor wishing to offer sports wagering is \$100,000 and the application fee for a sports wagering service provider is \$10,000. The tax on “adjusted

gross receipts” (essentially, net win) from sports wagering in Indiana is 9.5 percent.

Wagering on e-sports is not allowed. Like other sports wagering laws, athletes, coaches and officials are prohibited from placing wagers on the sport in which they are. Additionally, a “relative living in the same household” of any of the above may not place wagers on the applicable sport.

As of this writing, Indiana has not yet adopted emergency rules governing sports betting. The Indiana Gaming Commission is scheduled to consider draft emergency rules (the Draft Rules) on August 28, 2019. The Draft Rules specifically provide that in determining the suitability of a certificate holder, vendor, supplier or sports wagering service provider, the commission shall consider whether the applicant or licensee does business in prohibited jurisdictions, including those “embargoed and sanctioned by the U.S., or with known black market operations.”

The Draft Rules require age and identity verification (patrons must be at least 21 years of age), geolocation to ensure that a patron using a mobile device is within the state of Indiana, and a designated independent integrity monitoring provider

to receive reports of unusual betting activity. The internal controls required of the operator must “identify unusual betting activity and report such activity to an independent integrity monitoring provider.” They also prohibit certain persons from participating in sports wagering, including an “individual whose participation may undermine the integrity of the wagering.”

IN CONCLUSION

With the 2019 football season kicking off, Iowa and Indiana are ready to launch legal sports betting. Each state has its own unique rules, but much of the structure is familiar with key regulatory controls designed to preserve public trust firmly ensconced. Indiana and Iowa are just the latest states to launch legal sports betting in the U.S. More are sure to follow. **SBM**



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