

102ND GENERAL ASSEMBLY State of Illinois 2021 and 2022 HB3142

Introduced 2/19/2021, by Rep. Robert Rita and Jonathan Carroll

SYNOPSIS AS INTRODUCED:

New Act 5 ILCS 100/5-45.8 new

Creates the Internet Gaming Act. Authorizes a casino or racetrack to offer Internet gaming or contract with a platform to offer Internet gaming, as regulated by the Illinois Gaming Board. Provides the requirements for Internet gaming platforms, Internet wagering accounts, and licenses issued under the Act. Includes provisions for age verification, location of wagering, responsible gaming, diversity goals in procurement and spending by Internet gaming licensees, the applicability of the Illinois Gambling Act and the Uniform Penalty and Interest Act, acceptance of out-of-state wagers, and limitations on home rule units. Provides that a 12% privilege tax is imposed on Internet gaming to be deposited into the State Gaming Fund. Provides that certain tax revenue from Internet gaming shall be paid to the Department of Human Services for the administration of programs to treat problem gambling, the Pension Stabilization, and the Education Assistance Fund. Authorizes the adoption of emergency rules to implement the Act and makes conforming changes in the Illinois Administrative Procedure Act. Effective immediately.

LRB102 13425 SMS 18769 b

FISCAL NOTE ACT MAY APPLY HOME RULE NOTE ACT MAY APPLY

1 AN ACT concerning gaming.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

- 4 Section 1. Short title. This Act may be cited as the
- 5 Internet Gaming Act.
- 6 Section 5. Definitions. Unless otherwise provided in this
- 7 Act, the terms used in this Act have the same meaning as the
- 8 terms defined in Section 4 of the Illinois Gambling Act.
- 9 Further, as used in this Act:
- "Adjusted gross gaming revenue" means the total of all
- 11 sums actually received by an Internet gaming licensee from
- 12 Internet gaming operations, excluding free play and
- 13 promotional credits, less the total of all sums actually paid
- 14 out as winnings to patrons, which includes the cash equivalent
- of any merchandise or thing of value awarded as a prize.
- 16 Adjusted gross gaming revenue does not include the dollar
- 17 amount of noncashable vouchers, coupons, or promotions
- 18 redeemed by participants on an Internet gaming platform.
- "Board" means the Illinois Gaming Board.
- "Internet game" means an Internet-based version or
- 21 substantial equivalent of a gambling game, slot machine,
- 22 poker, or table game, including, but not limited to,
- 23 simulcasted live-dealer versions of casino games in which an

individual wagers money or something of monetary value for the opportunity to win money or something of monetary value, and which is accessed by an Internet-connected computer or mobile device. An Internet game includes gaming tournaments conducted via the Internet in which players compete against one another or in one or more of the games authorized in this Act. An Internet game does not include sports wagering conducted pursuant to the Sports Wagering Act or fantasy contests in which one or more players compete against each other and winning outcomes reflect the relative knowledge and skill of the players and are determined predominately by accumulated statistical results of the performance of individuals, including athletes in the case of sporting events.

"Internet gaming" means conducting Internet games.

"Internet gaming licensee" means the owners licensee or organization licensee that holds an Internet gaming license under this Act.

"Internet gaming operator" means an Internet gaming licensee that operates an Internet gaming platform or, if an Internet management services provider operates the Internet gaming platform, the Internet management services provider.

"Internet gaming platform" means the combination of hardware and software or other technology designed and used to manage, conduct, and record Internet gaming and the wagers associated with Internet gaming.

"Internet gaming skin" means a distinctly branded Internet

gaming platform operated by an Internet gaming operator that
may encompass a website, mobile application, or other portal
to the Internet gaming platform. The brand may be that of the
Internet gaming licensee or its affiliate, the Internet
management service provider, or another brand as agreed upon
by the Internet gaming licensee and its Internet management
service provider.

"Internet management service provider" means a licensed business entity that operates an Internet gaming platform pursuant to an agreement with an Internet gaming licensee.

"Internet wagering" means the placing of wagers with an Internet gaming operator by persons who are either physically present in Illinois or in another permissible jurisdiction whereby the Board has entered a compact when placing a wager or otherwise permitted to place a wager by law.

"Internet wagering account" means a financial record established and accessible through an Internet gaming platform for an individual participant in which the participant may deposit and withdraw funds for Internet gaming and other authorized purchases and to which the Internet gaming operator may credit winnings or other amounts due to that participant or authorized by that participant.

"Organization licensee" has the meaning given to that term in the Illinois Horse Racing Act of 1975.

"Owners licensee" means the holder of an owners license issued under the Illinois Gambling Act.

1 "Permissible jurisdiction" means another jurisdiction from 2 which wagers may be accepted pursuant to Section 60.

Section 10. Board powers and responsibilities. The Board shall have the same powers and responsibilities with respect to the offering of Internet gaming as it has with respect to non-Internet gaming pursuant to Section 5 of the Illinois Gambling Act, except where the exercise of such powers or responsibilities is incompatible with the offering of gambling games over the Internet or with this Act.

Section 15. Rulemaking.

- (a) The Board shall adopt emergency rules within 90 days after the effective date of this Act to administer this Act in accordance with Section 5-45 of the Illinois Administrative Procedure Act. For the purposes of the Illinois Administrative Procedure Act, the General Assembly finds that the adoption of rules to implement this Act is deemed an emergency and necessary to the public interest, safety, and welfare.
- (b) In adopting rules and regulating the conduct of Internet gaming, the Board shall, to the greatest extent possible, utilize existing rules adopted under the Illinois Gambling Act and amend existing rules or adopt new rules or standards only as reasonably necessary to implement Internet gaming under this Act. The Board shall look to the Internet gaming rules of other regulated jurisdictions in the United

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- 1 States and shall implement consistent rules to the greatest
- 2 extent practicable.
- 3 Section 20. Internet gaming authorized.
- 4 (a) Notwithstanding any provision of law to the contrary,
 5 Internet gaming is only lawful when conducted by an Internet
 6 gaming operator in accordance with the provisions of this Act
 7 and the rules of the Board.
 - (b) Internet gaming may only be offered by an Internet gaming licensee or an Internet management services provider that has contracted with an Internet gaming licensee. An Internet gaming licensee may offer no more than 3 individually branded Internet gaming skins. The Internet gaming licensee may operate the platforms and contract with up to 3 Internet management service providers to conduct Internet gaming in accordance with the rules of the Board and the provisions of this Act.
 - (c) The primary servers necessary to the placement or resolution of wagers on an Internet gaming platform shall be located within a facility that is secure and inaccessible to the public. The primary servers may be located anywhere in the United States that is in compliance with federal law. All wagers that originate in this State are deemed to be placed in this State. The intermediate routing of electronic data in connection with Internet gaming, including across State lines, shall not determine the location or locations in which a wager

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- is initiated, received, or otherwise made.
- 2 Section 25. Requirements of Internet gaming platform.
 - (a) An Internet gaming operator may accept wagers on an Internet gaming platform only as follows: (1) the wager is placed directly with the Internet gaming operator through an Internet wagering account; and (2) the Internet gaming operator has verified that the person placing the wager is the holder of the Internet wagering account and is physically located within this State or a permissible jurisdiction using technological requirements in compliance with this Section.
 - (b) An Internet gaming platform shall include age and location verification mechanisms and requirements that are designed to preclude knowingly accepting wagers from individuals under 21 years of age, persons not physically within the State or a permissible jurisdiction, and persons otherwise excluded from Internet gaming from establishing Internet wagering accounts or from engaging in Internet gaming under this Act. The Internet gaming platform's age, location, and eligibility detection mechanisms shall monitor attempts to access the system and shall use commercially reasonable attempts to block unauthorized attempts to access the system.
 - (c) An Internet gaming operator shall implement appropriate data security standards to prevent unauthorized access by any person whose identity has not been verified or cannot be verified, in accordance with rules adopted by the

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- Board. The Internet gaming platform's identity verification mechanisms shall monitor attempts to access the system and shall use commercially reasonable attempts to block unauthorized attempts to access the system by persons who are not the wagering account holder.
 - An Internet gaming operator shall appropriate standards to protect the privacy and security of participants to a reasonable degree of certainty. Internet gaming operators shall establish and offer participants the option to protect their accounts with multi-factor authentication or authentication features such as personal identification numbers or biometric data.
 - (e) The Internet gaming operator shall establish internal and accounting controls applicable to Internet gaming and shall ensure that the security and integrity of all financial transactions in connection with Internet gaming shall comply with this Act and any rules adopted by the Board.
 - (f) An Internet gaming operator shall collect, report, and pay all applicable taxes and fees and shall maintain all books, records, and documents pertaining to the provider's gaming operations in a manner and location within this State as approved by the Board.
 - (g) All books, records, and documents concerning Internet gaming shall be available for inspection upon commercially reasonable notice by the Board during ordinary business hours in accordance with the Board's rules and shall be maintained

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- in a manner and during periods of time as the Board shall require.
 - (h) Each Internet gaming operator shall maintain a file containing samples of the types and forms of advertising and promotional materials that it has used for Internet gaming in connection with this State. Such advertising samples shall be made available or produced for inspection upon the Board's request.
 - Section 30. Internet wagering accounts.
 - (a) Eligible persons must establish Internet wagering accounts in person at a casino or racetrack during the first 6 months of operation. After the first 6 months of operation, an account may be established over the Internet without appearing in person. An Internet gaming operator shall adopt reasonable procedures to ensure that individuals have no more than one Internet wagering account with the Internet gaming operator. However, nothing in this Act prohibits the combination of a sports wagering account under the Sports Wagering Act and the Internet wagering account set forth under this Act.
 - (b) Participants may deposit and withdraw funds from their Internet wagering accounts in person at a casino or racetrack or over the Internet through electronic means to the extent allowed by federal law, including debit and credit cards; automated clearing house transfers; wire transfers; deposits and withdrawals of cash or gaming chips at cashiering

- 1 locations approved by the Board; reliable prepaid cards; cash
- 2 complimentary, promotional credits, or bonus credits;
- 3 winnings; or other means as approved by the Board.
- 4 (c) Internet gaming operators shall include, as part of
- 5 their internal controls, mechanisms and procedures for
- 6 reasonably detecting unauthorized access to Internet wagering
- 7 accounts, unauthorized attempts to access Internet wagering
- 8 accounts, and suspicious Internet wagering activity
- 9 constituting cheating, theft, embezzlement, collusion, money
- 10 laundering, and other illegal activity.
- 11 (d) As permitted by federal law, nothing in this Act
- 12 prohibits Internet gaming operators from linking or otherwise
- 13 commingling Internet wagering accounts with an eligible
- 14 person's Internet wagering account in another jurisdiction.
- 15 However, an Internet gaming operator must retain records of
- 16 all deposits, withdraws, wagers, and wager results that take
- 17 place within this State and pursuant to this Act and ensure all
- 18 taxes and fees due under this Act are properly documented and
- 19 paid.
- 20 Section 35. License requirements.
- 21 (a) No person may offer Internet games in this State
- 22 unless all necessary licenses have been obtained in accordance
- 23 with this Act and the rules of the Board. The Board may issue
- 24 the following licenses to persons, firms, partnerships, or
- 25 corporations that apply for licensure upon a determination by

- the Board that the applicant is eligible for the license under this Act and rules adopted by the Board:
 - (1) Internet gaming license;
- (2) Internet management service provider license;
- (3) supplier license; and
- 6 (4) occupational license.
 - (b) The Board shall issue an Internet gaming license upon request to any owners licensee or organization licensee. The fee for a license shall be \$500,000. An Internet gaming license shall be valid for the same period of time as the requester's owners license or organization license and shall be renewed as a matter of course upon renewal of the owners license or organization license and for the same period of time as the owners license or organization license. The fee for renewal of an Internet gaming license is \$250,000.
 - (c) An entity may apply for an Internet management service provider license in the form as may be required by the Board consistent with the requirements of this Act. The Board shall provide an abbreviated application for entities that hold or have a pending application for a management services provider license under the Sports Wagering Act or other types of gaming under Illinois law. Before issuance of an Internet management service provider license under this Act, the applicant shall pay to the Board a licensing fee of \$100,000 or, for applicants holding a management service provider license issued under other Illinois law, a licensing fee of \$50,000. An Internet

- management service provider license issued under this Act shall be valid for 4 years, subject to renewal upon payment of a fee of \$50,000.
 - (d) An applicant for a supplier license shall apply in the form as may be required by the Board consistent with the requirements of this Act. The Board shall provide an abbreviated application for entities which hold or have a pending application for a supplier license under the Sports Wagering Act or other types of gaming under Illinois law. Before issuance of a supplier license under this Act, the applicant shall pay to the Board a licensing fee of \$75,000 or, for applicants holding a supplier license issued under other Illinois law, a licensing fee of \$50,000. A supplier license issued under this Act shall be valid for 4 years, subject to renewal upon payment of a fee of \$50,000.
 - (e) An applicant for an occupation license shall apply in the form as may be required by the Board consistent with the requirements of this Act for individuals who can directly change critical components of Internet game system hardware or software and meet 2 of the following requirements: (1) have access to wagering account holders' personally identifying information; (2) have the ability to make adjustments to Internet wagering accounts; or (3) have direct interaction with wagering account holders. Before issuance of an occupational license under this Act, the applicant shall pay to the Board a licensing fee of \$1,000 or, for applicants

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- holding an occupational license issued under other Illinois law, a licensing fee of \$500. An occupational license issued under this Act shall be valid for 4 years, subject to renewal upon payment of a fee of \$500.
 - (f) The Board shall issue any license under this Act upon payment of the license fee and a showing that the applicant holds an equivalent license under the Sports Wagering Act or, otherwise, has an equivalent license to conduct Internet gaming in another U.S. jurisdiction with licensing standards similar to those established under this Act and accompanying rules.
 - (g) The Board shall issue any license under this Act on a temporary basis within 30 days after receiving an application to any applicant that holds an equivalent license or temporary license under the Sports Wagering Act or, otherwise, has equivalent licenses in connection with Internet gaming in another U.S. jurisdictions. The Board shall issue the temporary license under this subsection within 30 days after receiving a completed application unless it is aware of credible information that may prevent the issuance of a license or require certain conditions on a license to ensure compliance with Illinois gaming law. The temporary license shall be valid for a period of one year. The Board may revoke a temporary license at any time if it becomes aware of credible information that may prevent the issuance of a license or require certain conditions on a license to ensure compliance

- with Illinois gaming law. A temporary license shall otherwise be deemed to be the equivalent of a full license for all
- 3 purposes.

- (h) The Board may require background investigations for any officer, director, or shareholder with 10% or more equity interests of an applicant for an Internet management service provider license. The Board may recover the actual costs of an investigation conducted under this subsection from any license applicant. The Board may accept a background investigation conducted by another state with licensing standards similar to those established under this Act and accompanying rules.
- Section 40. Age verification; location; responsible gaming.
 - (a) An Internet gaming platform's internal controls shall include one or more mechanism to reasonably verify that a participant is 21 years of age or older, that wagering on Internet games is limited to transactions that are initiated and received within the State of Illinois or a permissible jurisdiction, and that the participant is physically located within the State of Illinois or a permissible jurisdiction.
 - (b) The Board shall develop responsible Internet gaming measures, including a statewide responsible gaming database identifying individuals who shall be prohibited from establishing an Internet wagering account or participating in Internet gaming offered by an Internet gaming operator. The

- Board shall adopt rules for the establishment and maintenance of the responsible gaming database, which shall include allowances for individuals to self-exclude from Internet wagering, including making self-exclusion elections through an Internet gaming operator on an Internet gaming platform or in-person at casinos or racetracks. The Board shall maintain the responsible gaming database in a confidential manner and Internet gaming operators shall not knowingly accept wagers from anyone listed on the gaming database. Notwithstanding any law to the contrary, a self-exclusion election and the responsible gaming database are not public records subject to copying and disclosure under the Freedom of Information Act.
- (c) Each Internet gaming platform shall display the words "If you or someone you know has a gambling problem, help is available. Call (toll-free telephone number)" or some comparable language approved by the Board, which language shall include the words "gambling problem" and "call 1-800-GAMBLER" to be displayed on the home page accessible to any person visiting or initially logging into the Internet gaming platform. Similar information shall be accessible to account holders when logged onto the Internet gaming platform.
- (d) Each Internet gaming platform shall include mechanisms for temporary and permanent self-exclusion through the Board's statewide responsible gaming database from Internet gaming, including termination of his or her Internet wagering account; a deposit limit offered on a daily, weekly, and monthly basis

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that allows participants to specify the maximum amount of money they can deposit into the Internet wagering account during the particular time period; and a spend limit offered on a daily, weekly, and monthly basis that allows participants to specify the maximum amount of the deposits that they may put at risk during the particular time period. Self-imposed wagering or deposit limits shall take effect immediately but increases to a previously imposed limit shall not take effect until the expiration of the limit per the terms of the participant's original election. A licensee under this Act shall not knowingly mail or otherwise forward any gaming-related promotional materials or electronic mail to a participant during any period in which the participant has elected to temporarily or permanently suspend or terminate Internet gaming through the account.

(e) A participant shall continue to have access to the Internet wagering account and the ability to withdraw funds, notwithstanding any temporary or permanent suspension or limits placed upon the account pursuant to this Section.

20 Section 45. Tax.

(a) A privilege tax is imposed on an Internet gaming operator based on the adjusted gross gaming revenue wagered on Internet gaming platforms authorized under this Act at a rate of 12% of adjusted gross gaming revenue. This privilege tax is the exclusive tax in relation to Internet gaming. No local

- government of this State, including home rule municipalities, may impose or levy taxes on adjusted gross gaming revenue.
 - (b) All moneys collected under this Act by the Board shall be deposited into the State Gaming Fund. The taxes imposed by this Section shall be paid by the Internet gaming operator on the day following the end of the month in which the wagers were made.
 - (c) If the taxpayer's adjusted gross gaming revenue for a month is a negative number, the taxpayer may carry over the negative amount to a return filed for the subsequent month and deduct the negative amount from its tax liability for that month, provided that the amount is not be carried over and deducted against tax liability in any month that is more than 12 months later than the month in which the amount was accrued.
 - (d) \$10,000,000 from the tax revenue deposited in the State Gaming Fund under this Act shall be paid annually to the Department of Human Services for the administration of programs to treat problem gambling.
 - (e) After the amount specified in subsection (d) has been paid or transferred, all remaining tax revenue deposited into the State Gaming Fund in accordance with this Act shall be transferred in equal parts to the Pension Stabilization Fund and the Education Assistance Fund.
- Section 50. Diversity programs.
- 25 (a) As used in this Section only, "licensee" means an

- 1 Internet gaming licensee under this Act.
 - (b) The public policy of this State is to collaboratively work with companies that serve Illinois residents to improve their supplier diversity in a non-antagonistic manner.
 - (c) The Board shall require all licensees under this Act to submit an annual report by April 15, 2022 and every April 15 thereafter, in a searchable Adobe PDF format, on all procurement goals and actual spending for businesses owned by women, minorities, veterans, and persons with disabilities and small business enterprises in the previous calendar year. These goals shall be expressed as a percentage of the total work performed by the entity submitting the report, and the actual spending for all businesses owned by women, minorities, veterans, and persons with disabilities and small business enterprises shall also be expressed as a percentage of the total work performed by the entity submitting the report.
 - (d) Each licensee in its annual report shall include the following information: (1) an explanation of the plan for the next year to increase participation; (2) an explanation of the plan to increase the goals; (3) the areas of procurement each licensee shall be actively seeking more participation in the next year; (4) an outline of the plan to alert and encourage potential vendors in that area to seek business from the licensee; (5) an explanation of the challenges faced in finding quality vendors and offer any suggestions for what the Board could do to be helpful to identify those vendors; (6) a

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- list of the certifications the licensee recognizes; (7) the
 point of contact for any potential vendor who wishes to do
 business with the licensee and explain the process for a
 vendor to enroll with the licensee as a businesses owned by
 women, minorities, veterans, or persons with disabilities; and
 (8) any particular success stories to encourage other
 licensees to emulate best practices.
- shall 8 Each annual report include (e) much as 9 State-specific data as possible. If the submitting entity does 10 not submit State-specific data, then the licensee shall 11 include any national data it does have and explain why it could 12 not submit State-specific data and how it intends to do so in 13 future reports, if possible.
 - (f) Each annual report shall include the rules, regulations, and definitions used for the procurement goals in the licensee's annual report.
 - (q) The Board and all licensees shall hold an annual workshop and job fair open to the public in 2022 and every year thereafter onthe state of supplier diversity collaboratively seek solutions to structural impediments to achieving stated goals, including testimony from each licensee as well as subject matter experts and advocates. The Board shall publish a database on its website of the point of contact for licensees it regulates under this Act for supplier diversity, along with a list of certifications each licensee recognizes from the information submitted in each annual

- 1 report. The Board shall publish each annual report on its
- 2 website and shall maintain each annual report for at least 5
- 3 years.
- 4 (h) A licensee under this Act that is also subject to the
- 5 diversity program requirements of Section 7.6 of the Illinois
- 6 Gambling Act shall include its Internet gaming activities
- 7 within the supplier diversity goals and accompanying reports.
- 8 Compliance with Section 7.6 of the Illinois Gambling Act shall
- 9 be in lieu of compliance with the reporting requirements under
- 10 this Act.
- 11 Section 55. Applicability of the Illinois Gambling Act and
- 12 the Uniform Penalty and Interest Act. The provisions of the
- 13 Illinois Gambling Act, and all rules adopted thereunder, shall
- apply to this Act, except where there is a conflict between the
- 2 acts, including the incompatibility of any provision to the
- 16 conduct of gaming remotely, without a brick-and-mortar
- facility, or over the Internet. All provisions of the Uniform
- 18 Penalty and Interest Act shall apply, as far as practicable,
- 19 to the subject matter of this Act to the same extent as if such
- 20 provisions were included in this Act.
- 21 Section 60. Acceptance of out-of-state wagers.
- 22 Notwithstanding any other provision of law to the contrary,
- 23 wagers may be accepted under this Act from persons who are not
- 24 physically present in this State if the Board has determined

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that out-of-state wagering is not inconsistent with federal law or the law of the jurisdiction in which the person is located or if out-of-state wagering is conducted pursuant to a reciprocal agreement to which this State is a party that is not inconsistent with federal law. The Board may enter into agreements with other jurisdictions to facilitate, administer, and regulate multijurisdictional approved Internet games,

including, but not limited to, poker.

- 9 Section 65. Home rule. The licensure and conduct of
 10 Internet gaming conducted by a person or entity pursuant to
 11 this Act are exclusive powers and functions of the State. A
 12 home rule unit may not regulate or license Internet gaming.
 13 This Section is a denial and limitation of home rule powers and
 14 functions under subsection (h) of Section 6 of Article VII of
 15 the Illinois Constitution.
 - Section 100. The Illinois Administrative Procedure Act is amended by adding Section 5-45.8 as follows:
- 18 (5 ILCS 100/5-45.8 new)
 - Sec. 5-45.8. Emergency rulemaking; Internet Gaming Act. To provide for the expeditious and timely implementation of the Internet Gaming Act, emergency rules implementing the Internet Gaming Act may be adopted in accordance with Section 5-45 by the Illinois Gaming Board. The adoption of emergency rules

- 1 <u>authorized by Section 5-45 and this Section is deemed to be</u>
- 2 <u>necessary for the public interest, safety, and welfare.</u>
- This Section is repealed on January 1, 2027.
- 4 Section 999. Effective date. This Act takes effect upon
- 5 becoming law.