

Subject Lawful sports betting
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Overview

In May 2018, the U.S. Supreme Court issued a decision in *Murphy v. National Collegiate Athletic Association*. Before that decision, the federal Professional and Amateur Sports Protection Act (PASPA) prohibited a state from authorizing sports wagering in any form, but the court invalidated PASPA, permitting states to authorize sports wagering. Since the decision, sports betting has been established in different ways around the country. In some states, including Iowa, mobile sports betting is legal. In others, including North Dakota, South Dakota, and Wisconsin, in-person sports betting can take place at certain specified locations. Sports bookmaking is currently illegal in Minnesota.

Article 1 of this bill authorizes wagering on certain athletic and esports events and regulates mobile sports betting. Article 2 contains tax provisions related to wagering on sports. Article 3 establishes crimes related to sports wagers. Article 4 creates grants administered by the Minnesota Amateur Sports Commission, funds a study on gambling by young adults, and appropriates money for the establishment and regulation of mobile sports betting.

Article 1: Lawful Sports Betting

Provides for the licensing and regulation of sports betting in Minnesota.

Section Description – Article 1: Lawful Sports Betting

- 1 Definitions.**

Defines terms as used in chapter 299L in relation to lawful sports betting including “athletic event,” “esports event,” “Indian Tribe,” “mobile sports betting,” “sporting event,” “sports betting,” and “wager.”
- 2 Scope.**

Establishes that a person who is at least 21 years old and is not otherwise prohibited may participate in sports betting. Establishes that the new sections of law provide for

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the exclusive means of lawful sports betting except for Class III sports betting conducted by an Indian Tribe pursuant to a Tribal-state compact.

3 Powers and duties of commissioner.

Provides the commissioner of public safety with the authority to regulate lawful sports betting to assure that it is conducted in a fair and lawful manner. Directs the commissioner to adopt and enforce rules related to the conduct of sports betting. Provides for expedited rulemaking until January 1, 2024.

Requires the commissioner to regularly review and update rules designed to prevent and address compulsive and problem gambling to incorporate advances in the understanding of compulsive and problem gambling and to incorporate best practices in the area.

Permits the commissioner to delegate authority to the director of the Division of Alcohol and Gambling Enforcement (AGED).

Establishes a process for sports governing bodies to petition the commissioner to exclude or prohibit certain bets.

4 License types; transfers prohibited.

Establishes that the commissioner may issue up to 11 mobile sports betting operator licenses, up to 11 mobile sports betting provider licenses, and sports betting supplier licenses.

Prohibits the transfer of licenses.

5 General licensing requirements; disqualifications; background investigations.

Establishes the requirements and disqualifications for applicants seeking a license. Provides that applicants must have paid any applicable fees, not be employed by an agency that regulates sports betting, and not owe or have failed to file returns or pay taxes. These requirements apply to an applicant or member of the governing body of an applicant who holds more than a ten percent financial interest in the applicant, except if that person is an elected or appointed representative of an Indian Tribe and is a full-time employee of the Tribe's mobile sports betting operations.

Establishes disqualifications for criminal offenses including felonies other than fifth degree possession of a controlled substance, any crime involving gambling, and any crime involving theft or fraud that would be a gross misdemeanor under Minnesota law. These requirements apply to an applicant or member of the governing body of an applicant who holds more than a ten percent financial interest in the applicant, except if that person is an elected or appointed representative of an Indian Tribe and is a full-time employee of the Tribe's mobile sports betting operations.

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- Directs the commissioner to perform a background check and criminal history records check of applicants. Prohibits the use of information obtained for background checks and criminal history checks to be used for other activities relating to nonmobile sports betting Tribal gaming.
- 6 License application and renewal; general requirements; procedure.**
Requires applications for licensure to be made in the form and manner established by the commissioner. Requires that applications include certain information including a consent form relating to service of lawsuits and a declaration to comply with the laws of Minnesota, including the applicable provisions of the Human Rights Act. Directs applicants to submit completed applications, provides for a deficiency notice, and permits rejected applicants to reapply.
- 7 Duty to update.**
Requires applicants and license holders to update the commissioner if there is a change in any information submitted as part of an application or a change in the ownership of the license holder.
- 8 Mobile sports betting operator license.**
Permits the commissioner to issue up to 11 mobile sports betting operator licenses that are valid for 20 years. Permits each license holder to contract with one platform provider, suppliers, and to perform other actions approved by the commissioner.

Establishes license requirements including being an entity wholly owned and controlled by a Tribe, maintaining mechanisms to detect fraud and other unauthorized actions in any mobile platform or application, submitting statements of assets and liabilities, paying an annual fee of \$2,125, and providing a detailed plan for the implementation of mobile sports betting to the commissioner.

Requires regular reporting on wagers to the commissioner, and prohibits information submitted to the commissioner from being used for other activities relating to nonmobile sports betting Tribal gaming.
- 9 Mobile sports betting platform provider license.**
Requires a mobile sports betting platform provider to hold a license that is valid for three years. Authorizes license holders to provide platforms and applications to facilitate sports betting to the mobile sports betting operators.

Establishes application requirements; an application fee of \$6,000; a licensing fee of \$38,250; and a renewal fee of \$25,500.

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10 Sports betting supplier license.

Requires a sports betting supplier to hold a license that is valid for three years. Authorizes sports betting suppliers to provide information and support necessary to conduct mobile sports betting.

Establishes application requirements; an application fee of \$6,000; a licensing fee of \$38,250; and a renewal fee of \$25,500.

Permits the commissioner to waive submission of certain public information.

11 Partnership allowed.

Authorizes mobile sports betting operators to contract with mobile sports betting platform providers. Provides that if an operator chooses to do so, it can only contract with one platform provider. Requires operators that choose not to contract with a platform provider be subject to the same reporting and regulatory requirements as platform providers.

Requires platform providers to display a logo or brand of the operator it contracts with clearly on the mobile application.

12 Deposit and appropriation of fees.

Requires application, license, and renewal fees to be deposited in the sports betting account in the special revenue fund.

13 Advertising.

Prohibits certain advertisements for sports betting including those that target individuals under age 21, those that target individuals who are not otherwise eligible to place a wager, those that are placed in certain locations such as airports or in a taxicab, and those that include false or misleading claims.

14 Wagering.

Subd. 1. Placing wagers. Establishes that a person who is 21 years of age or older may place a mobile sports wager unless that person is otherwise disqualified, prohibited, or excluded from doing so.

Subd. 2. Wager type. Establishes that wagers may only be accepted if the commissioner approves the type of wagers. Provides that the commissioner may authorize wagers on topics including:

- who will win an event or by how many points;
- the total points scored in the event;
- an outcome contingency or proposition incidental to an event;
- parlay wagers on two or more events or contingencies; and

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- end of season standing, awards, or statistics.

Subd. 3. Wager types prohibited. Provides types of wagers that are prohibited, including:

- player injuries;
- penalties;
- outcome of player disciplinary rulings; and
- replay reviews.

The commissioner has the discretion to add types of wagers to this list.

Subd. 4. Mobile sports betting account; establishment. Provides that a mobile sports betting account may be established by electronic means and may be funded in any manner approved by the commissioner. Money deposited into an account is not available until three hours have passed since the time of the deposit.

Subd. 5. Consideration; mobile sports betting account. Requires an authorized participant to provide consideration in the form of a withdrawal from a wager account at the time the person places a wager. Provides that a person may withdraw the balance of a wager account at any time with proof of identity.

Subd. 6. Wager location. Requires mobile sports betting wagers to be made online from a person physically present in the state. Establishes that an incidental routing of a wager may not be used to establish a person's location.

Subd. 7. Information provided at the time of wager. Requires a mobile sports betting operator to disclose the betting line and terms of a wager prior to accepting a wager.

Subd. 8. Outcome determined. Prohibits accepting a wager on an event or proposition that has already been determined.

Subd. 9. Receipt. Requires a mobile sports betting operator to provide a receipt at the time of sale.

Subd. 10. Wager data; safeguards necessary. Requires that mobile sports betting operators access, store, and use wager data for only ordinary business purposes. Requires operators to safeguard wager data from unauthorized access and dissemination.

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15 Prohibition on push notifications.

Prohibits mobile sports betting operators and mobile sports betting platform service providers from sending messages from mobile sports betting applications or websites that appear on a user's device while the application or website is inactive unless the message is to notify the user of potentially fraudulent activity associated with the user's account.

16 Exclusion list and prohibition on wagering.

Directs the commissioner to establish an exclusion list of individuals who are not eligible to wager. Directs that the exclusion list must include individuals who submit their own names, those whose names have been submitted by a legal guardian, and those submitted by mobile sports betting operators or sports governing bodies.

Permits those who supply their own name to specify whether the person's name should remain on the list for one, three, or five years, and further permits individuals to remove their names from the list before the end of that time period by showing proof of a completed class to address compulsive gambling.

Establishes categories of prohibited wagers by certain individuals including prohibiting wagers by a player placing a bet on a contest in which that person is competing, as well as individuals who hold a position of authority sufficient to exert influence over participants in a sporting event.

Prohibits knowingly accepting a wager from a person on the exclusion list or who is prohibited from placing a certain wager.

17 Financial responsibility.

Establishes that wagers must be treated as an enforceable contract. Asserts that mobile sports betting operators and platform providers bear all risk of loss.

Requires the mobile sports betting operator or platform provider to maintain cash reserves of at least \$25,000 or an amount calculated based on mobile sports betting accounts, bets accepted, and amounts owed and unpaid.

Requires the mobile sports betting operator or platform provider to maintain a bond in an amount deemed necessary by the commissioner.

18 Integrity monitoring.

Requires each mobile sports betting operator or platform provider to contract with a third party to provide integrity monitoring to identify unusual betting patterns that may indicate the need for action. Requires an entity that receives information from

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the third-party monitoring service to keep that information confidential to the extent possible and prohibits the information from being used for commercial purposes.

Directs the commissioner to establish minimum requirements and to report suspicious activity.

19 Record keeping; information sharing.

Requires mobile sports betting operators to maintain records of all wagers placed, including the information of the authorized participant placing the wagers for three years after a sporting event occurs. Requires the retention of video surveillance for wagers placed in-person. Requires operators to anonymize information to the extent possible. Requires this information be made available to the commissioner upon request.

Allows operators to share information with a sports governing body if the sports governing body believes the information is necessary to protect the integrity of the sporting events.

20 Inspection and auditing of licensees.

Permits the commissioners of public safety and revenue, and the director of the Division of Alcohol and Gambling Enforcement, to inspect the records and accounts of a mobile sports betting operator with 24 hours' notice.

Requires mobile sports betting operators to contract with a third party to conduct a financial audit of the operator and provide the audit to the commissioner within 120 days of the end of the operator's fiscal year.

21 License violations; enforcement.

Subd. 1. Schedule of penalties. Directs the commissioner to adopt a schedule of penalties for license violations.

Subd. 2. Authority to act. Establishes that the commissioner has the authority to issue administrative orders, impose civil penalties, temporarily suspend licenses, and take action to revoke a license. Provides that action against one license holder does not prevent other license holders from conducting mobile sports betting.

Subd. 3. Temporary suspension. Permits the commissioner to temporarily suspend a license, for up to 90 days, if the license holder fails to make certain payments or if suspension is necessary to protect the public from harm. Permits the commissioner to lift the suspension if the matter is resolved. Permits the commissioner to extend the suspension if the commissioner begins actions to revoke a license and no hearing has been held.

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Subd. 4. Notice of violation; administrative orders; request for reconsideration; demand for hearing. Permits the commissioner to issue administrative orders to require a license holder to take, or stop taking, certain actions and to impose civil penalties. Establishes a procedure to request reconsideration or a hearing on any order.

Subd. 5. Revocation, nonrenewal, civil penalties; contested case. Provides that, if the commissioner takes action to revoke a license or impose a civil penalty of more than \$2,000, the action must be a contested case and must proceed under chapter 14 (Administrative Procedures Act).

Subd. 6. Penalties. Provides that criminal penalties apply for violations of this article.

22 Reporting.

Requires the commissioner to submit a report to legislative committees by June 1 of each year that describes the financial status of sports betting in the state. Requires the commissioner to submit a report to legislative committees by February 1 of each year that includes the status of licensing activity, an overview of the sports betting market, a review of revenue generated and spent, and a description of enforcement actions taken by the commissioner.

23 Data protections.

Classifies certain data on individuals who make wagers as private data on individuals. Classifies certain data on mobile sports betting operators as nonpublic data. Prohibits the sale of private data on individuals.

24 Local restrictions; prohibition on local taxes or fees.

Prohibits a political subdivision from requiring a local license to offer sports betting or imposing a tax or fee on sports betting conducted pursuant to the new law.

25 Indian Tribes; compacts to be negotiated.

Directs the governor or the governor' designated representatives to negotiate new Tribal-state compacts regulating the conduct of Class III sports betting on the lands of a Tribe requesting negotiations. Prohibits amending existing compacts.

Article 2: Taxation of Sports Betting

Provides for the taxation of mobile sports betting in Minnesota.

Section Description – Article 2: Taxation of Sports Betting

1 Definitions.

Defines terms in the new chapter related to the taxation of sports betting, including defining “sports betting net revenue” as the total of all cash and cash equivalents received in a month by a mobile sports betting operator from wagers, less cash, and noncash payouts.

2 Tax on sports betting net revenue.

Subd. 1. Tax imposed. Establishes a tax rate of ten percent on mobile sports betting net revenue received based on a percentage of wagers placed online as authorized by the new law.

Bets placed on Tribal land would be specifically exempt from the proposed tax.

Subd. 2. Sports betting net revenue tax is in lieu of other taxes. Establishes that income derived by a mobile sports betting operator from conducting wagering is not subject to the individual income or corporate franchise taxes, and that wagers accepted are not subject to the state sales or sports bookmaking taxes.

Subd. 3. Returns; due dates. Establishes a monthly return requirement for the proposed tax which would be due on the 20th day of the month. Proceeds from the tax would be deposited as required under subdivision 7.

Subd. 4. Public information. Provides that all records concerning the administration of taxes under the chapter are public information.

Subd. 5. Refunds. Authorizes a person who has paid tax in an amount that exceeds the tax due to seek a refund and appropriates the amount necessary to pay a refund from the new sports betting revenue account established in subdivision 7 to the commissioner of revenue.

Subd. 6. Extensions. Authorizes the commissioner of revenue to extend the time for filing tax returns, paying taxes, or both by six months for good cause.

Subd. 7. Distribution of funds. Establishes that money collected in tax revenue must be distributed as follows: (1) \$2,700,000 to DPS/AGED for the cost of performing the duties related to regulating sports betting; (2) \$1,353,000 to DOR to perform the duties related to the taxation of sports betting, and (3) 50 percent to the commissioner of human services for the gambling treatment program and 50 percent to the amateur sports integrity and participation account established in article 4.

3 Mobile sports betting operator reports, records, and audits.

Requires mobile sports betting operators to file a monthly report with the commissioner of revenue that shows all sports betting activity conducted by the

Section Description – Article 2: Taxation of Sports Betting

operator in the previous month. Requires mobile sports betting operators to maintain records that support the reports sent to the commissioner for at least 3-1/2 years. Permits the commissioner to require a financial audit of a mobile sports betting operator's betting activities if the operator has failed to comply with this chapter.

4 Other provisions apply.

Provides that the lawful gambling tax provisions relating to assessments, penalties, and interest apply to the sports betting tax.

This article is effective for sports betting net revenue received after June 30, 2023.

Article 3: Crimes Related to Sports Betting

Establishes and amends crimes related to the conduct of licensed and unlicensed sports betting.

Section Description – Article 3: Crimes Related to Sports Betting

1 Juvenile petty offender; juvenile petty offense.

Establishes that a violation in which a person under age 18 places a bet on a sporting event shall be treated as a juvenile petty offense.

2 Crimes relating to wagering on sporting events.

Establishes crimes related to wagering on sporting events. Establishes a misdemeanor penalty for the sale or transfer of private data. Establishes a misdemeanor penalty for a person under age 21 who places a bet or misrepresents the person's age. Establishes a gross misdemeanor penalty for accepting a wager from a person under age 21. Establishes misdemeanor, gross misdemeanor, and felony penalties for making or accepting certain unauthorized wagers. Provides for aggregation of violations. Establishes requirements related to the proof of a person's age and an affirmative defense for relying on apparently valid proof of age.

3 What are not bets.

Establishes that a wager on the outcome of a sporting event that may be legally wagered on under the new law does not constitute a bet for the purposes of criminal laws prohibiting certain bets.

Section Description – Article 3: Crimes Related to Sports Betting

- 4 **Gambling device.**
Establishes that a website or mobile application, or device used to access the website or mobile application, is not a gambling device if it is authorized to be used in mobile sports betting.
- 5 **Sports bookmaking.**
Establishes that sports bookmaking does not include legalized mobile sports betting.
- 6 **Sporting event.**
Defines the term “sporting event” for use in the criminal laws that prohibit unauthorized betting.
- 7 **Gambling; misdemeanor.**
Establishes an exception stating that the crime does not apply to wagering on a sporting event.
- 8 **Unauthorized sports betting.**
Establishes misdemeanor, gross misdemeanor, and felony offenses for placing bets on sporting events with a person or entity who is not authorized to receive those bets and licensed by the commissioner. Establishes a felony offense for unlicensed sports bookmaking.
- 9 **Sporting events; fraud; bribery.**
Establishes new offenses for offering or giving payment or another benefit to a person in order to influence that person’s performance or the outcome of an event, and for accepting payment or another benefit to intentionally lose or attempt to lose an event.
- 10 **Effective date.**
Provides that Article 3 is effective the day sports betting becomes legal in Minnesota and applies to crimes committed on or after that day.

Article 4: Amateur Sports Grants; Appropriations

This article establishes grants administered by the Minnesota Amateur Sports Commission, a study on gambling by young adults, and appropriates money.

Section Description – Article 4: Amateur Sports Grants; Appropriations

- 1 Grants for promoting integrity and participation.**

Establishes the amateur sports integrity and participation account in the special revenue fund which consists of money deposited pursuant to section 297J.02. Directs the Minnesota Amateur Sports Commission to use the money to issue grants. Permits the commission to use up to four percent of the money to administer the grants. Requires that 20 percent of the money be used for grants to promote the integrity of amateur sports for activities including providing education and programming to athletes related to disordered gambling; promoting the independence, safety, and training of amateur sports leagues and officials; providing prevention programs related to performance enhancing drugs; providing problem gambling prevention education; training coaches and athletes on safe relationships and how to maintain a welcoming environment; and addressing the mental health needs of athletes. Requires that the remaining 80 percent of the money be used to facilitate participation in youth sports in areas that have experienced a disproportionately high rate of juvenile crime. Provides that grants may be used for purposes that include establishing programs, improving facilities, eliminating participation costs, and coordinating additional services for youth. Requires grant recipients to report to the Minnesota Amateur Sports Commission and requires the commission to provide an annual report to relevant legislative committees.
- 2 Program.**

Amends the program for problem gamblers operated by the commissioner of human services to include up to 60 hours of intervention services for the family members or significant others of individuals dealing with compulsive gambling.
- 3 Study on the motivations and beliefs of young adult gamblers; appropriation.**

Appropriates \$150,000 in fiscal year 2024 to the commissioner of public safety for a grant to an organization to conduct a study on gambling by young adults in Minnesota. Directs the grant recipient to coordinate a focus group of 40 young adults who reflect the diversity of Minnesotans age 18 to 35. Requires the focus group to identify the reasons young adults gamble and the types of gambling in which they engage. Requires the grant recipient to use the information from the focus group to perform a qualitative survey of at least 50,000 individuals to gather additional information on gambling by young adults. Requires the recipient to report on the findings of the focus group and survey.
- 4 Department of Public Safety; appropriation.**

Appropriates \$1,301,000 in fiscal year 2024 to the commissioner of public safety to establish and regulate mobile sports betting. This is a onetime appropriation that supplements the statutory appropriation.

Section Description – Article 4: Amateur Sports Grants; Appropriations

5 Department of Revenue; appropriation.

Appropriates \$328,000 in fiscal year 2024 to the commissioner of revenue to establish and enforce the taxation of mobile sports betting. This is a onetime appropriation that supplements the statutory appropriation.



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