

HOUSE RESEARCH

Bill Summary

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Overview

Advance Deposit Wagering (ADW) is a horse racing wagering system that provides a way for a person to advance funds to an account so that the wager can be made remotely. Minnesota does not currently allow ADW. This bill would authorize and regulate ADW companies and require that a portion of the amounts wagered through this system by Minnesota residents is used to support horse racing in this state.

Section

- 1 **Purpose.** Provides a purpose statement for the proposed legislation.
- 2 **Account holder.** Defines “account holder” as a person who opens an account with an ADW provider.
- 3 **Advance deposit wager.** Defines “advance deposit wager” as a wager placed through an ADW provider on a horse race conducted outside the state.
- 4 **Advance deposit wagering; ADW.** Defines ADW as a pari-mutuel wagering system in which wagers and payoffs are debited and credited to an account held by an ADW provider on behalf of an account holder.
- 5 **ADW provider.** Defines “ADW provider” as a class C licensee who has a contract with a class A or B licensee to provide ADW.
- 6 **Minnesota resident.** Defines “Minnesota resident” as a person who provides a Minnesota address or credit card billing address when opening an ADW account.

Section

- 7 **Source market fee.** Defines “source market fee” as the percentage of the amount wagered by a Minnesota resident that is paid to a class A or B licensee.
- 8 **Authority.** Allows the racing commission to issue a class C license to a vendor.
- 9 **Application.** Requires that a class C license applicant submit an affidavit stating that the applicant has not been held in violation of any law pertaining to animal mistreatment.
- 10 **License fees.** Establishes an initial \$10,000 fee for a class C ADW licensee and an annual fee of \$2,500 thereafter.
- 11 **Takeout; distribution of winnings.** Clarifies that the current deduction requirement applies to class B and D licensees.
- 12 **Advance deposit wagering.** Authorizes and regulates ADW in Minnesota by:
- prohibiting unlicensed persons from accepting wagers;
 - establishing requirements for contracts between an ADW provider and racetrack which must include provisions relating to: source market fees, the business relationship between the racetrack and ADW company, reservation of horsepersons association rights under federal law, what will happen if either party ceases doing business in the state, enforcing the contract in Minnesota state courts, limitations on the term of a contract to one year;
 - to demonstrate financial responsibility, requiring a \$1,000,000 bond as surety for fees and payments to account holders;
 - establishing requirements for a plan of operation, which must include provisions relating to: dispute resolution with account holders and racetracks, security of account holders information, procedures to verify the identity and age of account holders, procedures to ensure that no credit is extended to an account holder, record-keeping procedures, audit requirements, and other requirements established by rule;
 - providing for the establishment and distribution of source market fees. Requires a racetrack receiving such fees to distribute them in certain percentages to: racetracks that conduct standardbred, thoroughbred, and quarter-horse racing, breeder’s awards, purses, the state breeder’s fund, and purse accounts;
 - imposing a regulatory fee of one percent and a breeders fund fee of .25 of one percent of the amount wagered;
 - granting a right of action to a class A or B licensee and the racing commission against an unauthorized person accepting wagers, and providing for certain remedies; and
 - authorizing the commission to adopt rules using the expedited process.
- 13 **Taxes imposed.** Clarifies that the tax on the amounts withheld from pari-mutuel pools applies to class B or D licensees.
- 14 **Payment.** Modifies the tax payment date from seven days after collection to seven days after the end of the month when it was collected.

Section

- 15** **Disposition of proceeds; account.** Adds the distribution required in section 12 to the account distribution requirements under an existing section of law.
- 16** **Fines.** Redirects any fines received by the racing commission from the general fund to the racing and card-playing regulatory account. Establishes procedures for bringing a contested case for fines over \$5,000.
- 17** **Illegal bets.** Clarifies that a bet placed with an authorized ADW provider is not illegal.
- 18** **Effective date; application.** Establishes an effective date of July 1, 2016, for the act, except for the enforcement and rulemaking provisions, which are effective November 1, 2016, and the day following enactment, respectively.