

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4926**

A bill to create the lawful internet gaming act; to impose requirements for persons to engage in internet gaming; to create the division of internet gaming; to provide for the powers and duties of the division of internet gaming and other state governmental officers and entities; to impose fees; to impose tax and other payment obligations on the conduct of licensed internet gaming; to create the internet gaming fund; to prohibit certain acts in relation to internet gaming and to prescribe penalties for those violations; to require the promulgation of rules; and to provide remedies.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "lawful internet gaming act".

3 Sec. 2. The legislature finds and declares all of the

1 following:

2 (a) Operating, conducting, and offering for play internet
3 games over the internet involves gaming activity that already
4 occurs throughout this state.

5 (b) In an opinion dated September 20, 2011, the United States
6 Department of Justice reversed its previous interpretation of 18
7 USC 1084, commonly referred to as the federal wire act, allowing
8 states, subject to certain restrictions, to legalize and regulate
9 internet gaming and capture the revenue for the benefit of state
10 governments.

11 (c) This act is consistent and complies with the unlawful
12 internet gambling enforcement act of 2006, 31 USC 5361 to 5367, and
13 specifically authorizes use of the internet to place, receive, or
14 otherwise knowingly transmit a bet or wager if that use complies
15 with this act and rules promulgated under this act.

16 (d) This act is consistent and complies with the state
17 constitution of 1963 by ensuring that the internet may be used to
18 place wagers only on games of skill or chance that may be lawfully
19 played in this state and that internet gaming is only conducted by
20 persons who are lawfully operating casinos in this state.

21 (e) In order to protect residents of this state who wager on
22 games of chance or skill through the internet and to capture
23 revenues generated from internet gaming, it is in the best interest
24 of this state and its citizens to regulate this activity by
25 authorizing and establishing a secure, responsible, fair, and legal
26 system of internet gaming that complies with the United States
27 Department of Justice's September 2011 opinion concerning 18 USC

1 1084.

2 Sec. 3. As used in this act:

3 (a) "Authorized participant" means an individual who has a
4 valid internet wagering account with an internet gaming operator
5 and is at least 21 years of age.

6 (b) "Board" means the Michigan gaming control board created
7 under section 4 of the Michigan gaming control and revenue act,
8 1996 IL 1, MCL 432.204.

9 (c) "Casino" means a building or buildings in which gaming is
10 lawfully conducted under the Michigan gaming control and revenue
11 act, 1996 IL 1, MCL 432.201 to 432.226, or in which class III
12 gaming is lawfully conducted by an Indian tribe under a facility
13 license issued in accordance with a tribal gaming ordinance
14 approved by the chair of the National Indian Gaming Commission.

15 (d) "Class II gaming" means that term as defined in 25 USC
16 2703.

17 (e) "Class III gaming" means that term as defined in 25 USC
18 2703.

19 (f) "Compact" means a tribal-state compact governing the
20 conduct of gaming activities that is negotiated under the Indian
21 gaming regulatory act, Public Law 100-497, 102 Stat 2467.

22 (g) "Division" means the division of internet gaming
23 established under section 5.

24 (h) "Fund" means the internet gaming fund created under
25 section 16.

26 (i) "Gross gaming revenue" means the total of all internet
27 wagers received by an internet gaming operator, less the total of

1 all winnings paid out to authorized participants by the internet
2 gaming operator, during the accounting period. For purposes of this
3 subdivision, internet wagers received by an internet gaming
4 operator do not include the monetary value of free play used by
5 authorized participants.

6 (j) "Indian lands" means that term as defined in 25 USC 2703.

7 (k) "Indian tribe" means that term as defined in 25 USC 2703
8 and any instrumentality, political subdivision, or other legal
9 entity through which an Indian tribe operates its existing casino.

10 (l) "Institutional investor" means a person that is any of the
11 following:

12 (i) A retirement fund administered by a public agency for the
13 exclusive benefit of federal, state, or local public employees.

14 (ii) An employee benefit plan or pension fund that is subject
15 to the employee retirement income security act of 1974, Public Law
16 93-406.

17 (iii) An investment company registered under the investment
18 company act of 1940, 15 USC 80a-1 to 80a-64.

19 (iv) A collective investment trust organized by a bank under
20 12 CFR part 9.

21 (v) A closed end investment trust.

22 (vi) A chartered or licensed life insurance company or
23 property and casualty insurance company.

24 (vii) A chartered or licensed financial institution.

25 (viii) An investment advisor registered under the investment
26 advisers act of 1940, 15 USC 80b-1 to 80b-21.

27 (ix) Any other person that the division determines through

1 rulemaking should be considered to be an institutional investor for
2 reasons consistent with this act.

3 (m) "Internet" means the international computer network of
4 interoperable packet-switched data networks, inclusive of such
5 additional technological platforms as mobile, satellite, and other
6 electronic distribution channels approved by the division.

7 (n) "Internet game" means a game of skill or chance that is
8 offered for play through the internet in which an individual wagers
9 money or something of monetary value for the opportunity to win
10 money or something of monetary value. For purposes of this
11 definition, free plays or extended playing time that is won on a
12 game of skill or chance that is offered through the internet is not
13 something of monetary value. Internet game includes gaming
14 tournaments conducted via the internet in which individuals compete
15 against one another in 1 or more of the games authorized by the
16 division or in approved variations or composites as authorized by
17 the division.

18 (o) "Internet gaming" means operating, conducting, or offering
19 for play an internet game.

20 (p) "Internet gaming operator" means a person that is issued
21 an internet gaming license from the division to operate, conduct,
22 or offer internet gaming.

23 (q) "Internet gaming platform" means an integrated system of
24 hardware, software, and servers through which an internet gaming
25 operator operates, conducts, or offers internet gaming.

26 (r) "Internet gaming vendor" means a person that provides to
27 an internet gaming operator goods, software, or services that

1 directly affect wagering, play, and results of internet games
2 offered under this act, including goods, software, or services
3 necessary to the acceptance, operation, administration, or control
4 of internet wagers, internet games, internet wagering accounts, or
5 internet gaming platforms. Internet gaming vendor does not include
6 a person that provides to an internet gaming operator only such
7 goods, software, or services that it also provides to others for
8 purposes not involving internet gaming, including, but not limited
9 to, a payment processor or a geolocation service provider.

10 (s) "Internet wager" means money or something of monetary
11 value risked on an internet game.

12 (t) "Internet wagering" means risking money or something of
13 monetary value on an internet game.

14 (u) "Internet wagering account" means an electronic ledger in
15 which all of the following types of transactions relative to an
16 authorized participant are recorded:

17 (i) Deposits.

18 (ii) Withdrawals.

19 (iii) Internet wagers.

20 (iv) Monetary value of prizes.

21 (v) Service or other transaction-related charges authorized by
22 the authorized participant, if any.

23 (vi) Adjustments to the account.

24 (v) "Person" means an individual, partnership, corporation,
25 association, limited liability company, Indian tribe, or other
26 legal entity.

27 (w) "Prizes" includes both monetary and nonmonetary prizes

1 received directly or indirectly by an authorized participant from
2 an internet gaming operator as a direct or indirect result of
3 internet wagering. The value of a nonmonetary prize is the actual
4 cost of the prize.

5 (x) "Winnings" includes all of the following:

6 (i) The total monetary value of prizes received by authorized
7 participants.

8 (ii) Stakes returned to authorized participants.

9 (iii) Other amounts credited to authorized participants'
10 internet wagering accounts, including the monetary value of loyalty
11 points, and other similar complimentaries and incentives, not
12 including free play, granted to authorized participants as a result
13 of participation in internet games.

14 Sec. 4. (1) Internet gaming may be conducted only to the
15 extent that it is conducted in accordance with this act.

16 (2) An internet wager received by an internet gaming operator
17 is considered to be gambling or gaming that is conducted in the
18 internet gaming operator's casino located in this state, regardless
19 of the authorized participant's location at the time the
20 participant initiates or otherwise places the internet wager.

21 (3) A law that is inconsistent with this act does not apply to
22 internet gaming as provided for by this act.

23 (4) This act does not apply to any of the following:

24 (a) Lottery games offered by the bureau of lottery under the
25 McCauley-Traxler-Bowman-McNeely lottery act, 1972 PA 239, MCL 432.1
26 to 432.47.

27 (b) Class II and Class III gaming conducted exclusively on

1 Indian lands by an Indian tribe under a facility license issued in
2 accordance with a tribal gaming ordinance approved by the chair of
3 the National Indian Gaming Commission. For purposes of this
4 subdivision, gaming is conducted exclusively on Indian lands only
5 if the individual who places the wager is physically present on
6 Indian lands when the wager is initiated and the wager is received
7 or otherwise made on equipment that is physically located on those
8 Indian lands, and the wager is initiated, received, or otherwise
9 made in conformity with the safe harbor requirements described in
10 31 USC 5362(10)(C).

11 (c) A fantasy contest conducted under the fantasy contests
12 consumer protection act.

13 (5) Unless licensed as an internet gaming operator under this
14 act, a person shall not aggregate computers or other internet
15 access devices in a place of public accommodation in this state,
16 including a club or other association, to enable multiple players
17 to simultaneously play an internet game.

18 (6) For purposes of this act, the intermediate routing of
19 electronic data in connection with internet wagering, including
20 routing across state lines, does not determine the location or
21 locations in which the wager is initiated, received, or otherwise
22 made.

23 Sec. 5. (1) The division of internet gaming is established in
24 the board. The division has the powers and duties specified in this
25 act and all other powers necessary to enable it to fully and
26 effectively execute this act to administer, regulate, and enforce
27 the system of internet gaming established by this act.

1 (2) The division has jurisdiction over every person licensed
2 by the division and may take enforcement action against a person
3 that is not licensed by the division that offers internet gaming in
4 this state.

5 (3) The division may enter into agreements with other
6 jurisdictions, including Indian tribes, to facilitate, administer,
7 and regulate multijurisdictional internet gaming by internet gaming
8 operators to the extent that entering into the agreement is
9 consistent with state and federal laws and if the gaming under the
10 agreement is conducted only in the United States.

11 (4) The division may permit internet gaming operators licensed
12 by the division to accept internet wagers under this act on any
13 amateur or professional sporting event or contest.

14 Sec. 6. (1) The division may issue an internet gaming license
15 only to an applicant that is either of the following:

16 (a) A person that holds a casino license under the Michigan
17 gaming control and revenue act, 1996 IL 1, MCL 432.201 to 432.226.

18 (b) An Indian tribe that lawfully conducts class III gaming in
19 a casino located in this state under a facility license issued in
20 accordance with a tribal gaming ordinance approved by the chair of
21 the National Indian Gaming Commission.

22 (2) The division shall issue an internet gaming license to an
23 applicant described in subsection (1) after receiving the
24 application described in subsection (4) or (5), as applicable, and
25 the application fee, if the division determines that the internet
26 gaming proposed by the applicant complies with this act and the
27 applicant is otherwise eligible and suitable. An applicant is

1 eligible if it meets the requirements set forth in subsection
2 (1)(a) or (b). It is the burden of the applicant to establish by
3 clear and convincing evidence its suitability as to character,
4 reputation, integrity, business probity, and financial ability. The
5 application or enforcement of this subsection by the division must
6 not be arbitrary, capricious, or contradictory to the express
7 provisions of this act. In evaluating the eligibility and
8 suitability of an applicant under the standards provided in this
9 act, the division shall establish and apply the standards to each
10 applicant in a consistent and uniform manner. In determining
11 whether to grant a license to an applicant, the division may
12 request and consider any or all of the following information from
13 the applicant as a factor in the determination:

14 (a) Whether the applicant has adequate capitalization and the
15 financial ability and the means to develop, construct, operate, and
16 maintain the proposed internet gaming platform and to offer and
17 conduct internet gaming in accordance with this act and the rules
18 promulgated by the division.

19 (b) Whether the applicant has the financial ability to
20 purchase and maintain adequate liability and casualty insurance and
21 to provide an adequate surety bond.

22 (c) Whether the applicant has adequate capitalization and the
23 financial ability to responsibly pay off its secured and unsecured
24 debts in accordance with its financing agreements and other
25 contractual obligations.

26 (d) Whether the applicant has a history of material
27 noncompliance with casino or casino-related licensing requirements

1 or compacts with this state or any other jurisdiction, where the
2 noncompliance resulted in enforcement action by the body having
3 jurisdiction over the applicant.

4 (e) Whether the applicant has been indicted for, charged with,
5 arrested for, or convicted of, pleaded guilty or nolo contendere
6 to, forfeited bail concerning, or had expunged any criminal offense
7 under the laws of any jurisdiction, either felony or misdemeanor,
8 not including traffic violations, regardless of whether the offense
9 has been expunged, pardoned, or reversed on appeal or otherwise.
10 The division may consider mitigating factors, and, for an applicant
11 described in subsection (1)(b), shall give deference to whether the
12 applicant has otherwise met the requirements of the applicant's
13 gaming compact for licensure, as applicable.

14 (f) Whether the applicant has filed, or had filed against it,
15 a proceeding for bankruptcy or has ever been involved in any formal
16 process to adjust, defer, suspend, or otherwise work out the
17 payment of any debt.

18 (g) Whether the applicant has a history of material
19 noncompliance with any regulatory requirements in this state or any
20 other jurisdiction where the noncompliance resulted in an
21 enforcement action by the regulatory agency having jurisdiction
22 over the applicant.

23 (h) Whether at the time of application the applicant is a
24 defendant in litigation involving the integrity of its casino
25 business practices.

26 (3) An internet gaming license issued under this act is valid
27 for the 5-year period after the date of issuance and, if the

1 division determines that the licensee continues to meet the
2 eligibility and suitability standards under this act, is renewable
3 for additional 5-year periods.

4 (4) A person described in subsection (1)(a) may apply to the
5 division for an internet gaming license to offer internet gaming as
6 provided in this act. The application must be made on forms
7 provided by the division and include the information required by
8 the division.

9 (5) A person described in subsection (1)(b) may apply to the
10 division for an internet gaming license to offer internet gaming as
11 provided in this act. The application must be made on forms
12 provided by the division that require only the following
13 information:

14 (a) The name and location of any of the applicant's casinos.

15 (b) The tribal law, charter, or any other organizational
16 document of the applicant and other governing documents under which
17 the applicant operates any of its casinos.

18 (c) Detailed information about the primary management
19 officials of the applicant's casinos who will have management
20 responsibility for the applicant's internet gaming operations.

21 (d) The current facility license for the applicant's casinos.

22 (e) The applicant's current tribal gaming ordinance.

23 (f) The gaming history and experience of the applicant in the
24 United States and other jurisdictions.

25 (g) Financial information, including copies of the last
26 independent audit and management letter submitted by the applicant
27 to the National Indian Gaming Commission under 25 USC 2710(b)(2)(C)

1 and (D) and 25 CFR parts 271.12 and 271.13.

2 (h) The total number of gaming positions, including, but not
3 limited to, electronic gaming devices and table games, at each of
4 the applicant's casinos.

5 (6) An initial application for an internet gaming license must
6 be accompanied by an application fee of \$100,000.00. The rules
7 promulgated under section 10 may include provisions for the refund
8 of an application fee, or the portion of an application fee that
9 has not been expended by the division in processing the
10 application, and the circumstances under which the fee will be
11 refunded.

12 (7) The division shall keep all information, records,
13 interviews, reports, statements, memoranda, or other data supplied
14 to or used by the division in the course of its review or
15 investigation of an application for an internet gaming license or
16 renewal of an internet gaming license confidential and shall use
17 that material only to evaluate the applicant for an internet gaming
18 license or renewal. The materials described in this subsection are
19 exempt from disclosure under section 13 of the freedom of
20 information act, 1976 PA 442, MCL 15.243.

21 (8) An application under this section must be submitted and
22 considered in accordance with this act and any rules promulgated
23 under this act.

24 (9) An internet gaming operator shall pay a license fee of
25 \$200,000.00 to the division at the time the initial internet gaming
26 license is issued and \$100,000.00 each year after the initial
27 license is issued.

1 (10) The division shall deposit all application and license
2 fees paid under this act into the fund.

3 (11) An institutional investor that holds for investment
4 purposes only less than 30% of the equity of an applicant under
5 this section is exempt from the licensure requirements of this act.

6 Sec. 7. (1) The division shall condition the issuance,
7 maintenance, and renewal of an internet gaming license to a person
8 described in section 6(1)(b) on the person's compliance with all of
9 the following conditions:

10 (a) The person complies with this act and rules promulgated by
11 the division pertaining to all of the following:

12 (i) The types of and rules for playing internet games that
13 internet gaming operators may offer under this act.

14 (ii) Technical standards, procedures, and requirements for the
15 acceptance, by the person, of internet wagers initiated or
16 otherwise made by individuals located in this state who are not
17 physically present on the person's Indian lands in this state at
18 the time the wager is initiated or otherwise made.

19 (iii) Procedures and requirements for the acceptance, by the
20 person, of internet wagers initiated or otherwise made by
21 individuals located in other jurisdictions, if the division
22 authorizes multijurisdictional gaming as provided in this act.

23 (iv) Those requirements set forth in section 11.

24 (b) The person adopts and maintains technical standards for
25 internet gaming platforms, systems, and software that are
26 consistent with the standards adopted by the division under section
27 10.

1 (c) The person maintains 1 or more mechanisms on the internet
2 gaming platform utilized by the person that are designed to
3 reasonably verify that an authorized participant is 21 years of age
4 or older and that internet wagering is limited to transactions that
5 are initiated and received or otherwise made by an authorized
6 participant located in this state or, if the division authorizes
7 multijurisdictional internet gaming as provided in this act,
8 another jurisdiction in the United States authorized by the
9 multijurisdictional agreement.

10 (d) The person adopts and maintains responsible gaming
11 measures consistent with those described in section 12.

12 (e) The person continues to maintain and operate in this state
13 a casino offering class III gaming and the casino contains not less
14 than 50% of the gaming positions that were in place as of the
15 effective date of this act.

16 (f) The person pays to this state 8% of the gross gaming
17 revenue received by that person from all internet gaming it
18 conducts under this act as an internet gaming operator, and the
19 person makes the payments within the time period described in
20 section 14(2).

21 (g) The person agrees to and timely provides, on written
22 request of the division, books and records directly related to its
23 internet gaming operations for the purpose of permitting the
24 division to verify the calculation of the payments under
25 subdivision (f).

26 (h) The person provides a waiver of sovereign immunity to the
27 division for the sole and limited purpose of consenting to both of

1 the following:

2 (i) The jurisdiction of the division to the extent necessary
3 and for the limited purpose of providing a mechanism for the
4 division to do all of the following:

5 (A) Issue, renew, and revoke the person's internet gaming
6 license.

7 (B) Enforce the payment obligations set forth in this section
8 and section 14.

9 (C) Regulate and enforce the provisions of this act described
10 in sections 10(a), (b), (d) to (g), 11, 12(4) to (5) and 13.

11 (D) Inspect the person's internet gaming operation and records
12 to verify that the person is conducting its internet gaming
13 operation in conformity with the conditions prescribed in this
14 section.

15 (E) Assess fines or monetary penalties for violations of the
16 provisions or rules referred to in sub-subparagraph (C).

17 (F) Enforce the payment of internet gaming license fees
18 described in section 6(9).

19 (ii) The exclusive jurisdiction of the courts of this state,
20 and expressly waiving the exhaustion of tribal remedies, with venue
21 in Ingham County, and any courts to which appeals from that venue
22 may be taken, to permit the state to enforce administrative orders
23 of the division, the person's obligation to make payments required
24 under subdivision (f) and section 14, and to enforce collection of
25 the judgments. Any judgment of monetary damages under this
26 subparagraph is deemed limited recourse obligations of the person
27 and does not impair any trust or restricted income or assets of the

1 person.

2 (2) This state, acting through the governor, shall, at the
3 request of any Indian tribe, negotiate any amendments to an Indian
4 tribe's compact necessary to ensure compliance with this act and
5 any applicable federal laws. If the governor fails to enter into
6 negotiations with any Indian tribe, or fails to negotiate in good
7 faith with respect to any request, the Indian tribe may initiate a
8 cause of action against the governor in his or her official
9 capacity in either state court or in federal court and obtain those
10 remedies as authorized in 25 USC 2710(d)(7).

11 (3) The division must exercise its limited direct regulatory
12 and enforcement authority in a manner that is not arbitrary,
13 capricious, or contradictory to this act. Notwithstanding anything
14 in this act to the contrary, this act only regulates internet
15 gaming as provided in this act and does not extend to the division,
16 or any other agency of this state, any jurisdiction or regulatory
17 authority over any aspect of any gaming operations of an Indian
18 tribe described in section 4(4)(b) beyond those rights granted to
19 this state under the compact with the Indian tribe.

20 Sec. 8. (1) The division may issue an internet gaming vendor
21 license to a person to provide goods, software, or services to
22 internet gaming operators. A person that is not licensed under this
23 section shall not provide goods, software, or services as an
24 internet gaming vendor to an internet gaming operator.

25 (2) On application by an interested person, the division may
26 issue a provisional internet gaming vendor license to an applicant
27 for an internet gaming vendor license. A provisional license issued

1 under this subsection allows the applicant for the internet gaming
2 vendor license to conduct business with an internet gaming operator
3 before the internet gaming vendor license is issued to the
4 applicant. A provisional license issued under this subsection
5 expires on the date provided in the license by the division.

6 (3) An internet gaming vendor license issued under subsection
7 (1) is valid for the 5-year period after the date of issuance. An
8 internet gaming vendor license is renewable after the initial 5-
9 year period for additional 5-year periods if the division
10 determines that the internet gaming vendor continues to meet the
11 eligibility and suitability standards under this act.

12 (4) A person may apply to the division for an internet gaming
13 vendor license as provided in this act and the rules promulgated
14 under this act.

15 (5) Except as otherwise provided in this section, an
16 application under this section must be made on forms provided by
17 the division and include the information required by the division.
18 An Indian tribe that submits an application under this section
19 shall provide only the information described in section 6(5).

20 (6) An application under this section must be accompanied by a
21 nonrefundable application fee in an amount to be determined by the
22 division, not to exceed \$5,000.00.

23 (7) The division shall keep all information, records,
24 interviews, reports, statements, memoranda, or other data supplied
25 to or used by the division in the course of its review or
26 investigation of an application for an internet gaming vendor
27 license or renewal of an internet gaming vendor license

1 confidential and shall use that material only to evaluate the
2 applicant for an internet gaming vendor license or renewal. The
3 materials described in this subsection are exempt from disclosure
4 under section 13 of the freedom of information act, 1976 PA 442,
5 MCL 15.243.

6 (8) Except as otherwise provided in this subsection, an
7 internet gaming vendor shall pay a license fee of \$5,000.00 to the
8 division at the time an initial internet gaming vendor license is
9 issued to the internet gaming vendor and \$2,500.00 each year after
10 the initial license is issued. An internet gaming vendor that
11 provides to an internet gaming operator all or substantially all of
12 an internet gaming platform shall pay a license fee of \$100,000.00
13 to the division at the time the initial license is issued to the
14 vendor and \$50,000.00 each year after the initial license is
15 issued.

16 (9) The division shall deposit all application and license
17 fees paid under this act into the fund.

18 (10) An institutional investor that holds for investment
19 purposes only less than 30% of the equity of an applicant under
20 this section is exempt from the licensure requirements of this act.

21 Sec. 9. (1) The division has jurisdiction over and shall
22 supervise all internet gaming operations governed by this act. The
23 division may do anything necessary or desirable to effectuate this
24 act, including, but not limited to, all of the following:

25 (a) Develop qualifications, standards, and procedures for
26 approval and licensure by the division of internet gaming operators
27 and internet gaming vendors.

1 (b) Decide promptly and in reasonable order all license
2 applications and approve, deny, suspend, revoke, restrict, or
3 refuse to renew internet gaming licenses and internet gaming vendor
4 licenses. A party aggrieved by an action of the division denying,
5 suspending, revoking, restricting, or refusing to renew a license
6 may request a contested case hearing before the division. A request
7 for hearing under this subdivision must be made to the division in
8 writing within 21 days after service of notice of the action by the
9 division.

10 (c) Conduct all hearings pertaining to violations of this act
11 or rules promulgated under this act.

12 (d) Provide for the establishment and collection of all
13 applicable license fees, taxes, and payments imposed by this act
14 and the rules promulgated under this act and the deposit of the
15 applicable fees, taxes, and payments into the fund.

16 (e) Develop and enforce testing and auditing requirements for
17 internet gaming platforms, internet wagering, and internet wagering
18 accounts.

19 (f) Develop and enforce requirements for responsible gaming
20 and player protection, including privacy and confidentiality
21 standards and duties.

22 (g) Develop and enforce requirements for accepting internet
23 wagers.

24 (h) Adopt by rule a code of conduct governing division
25 employees that ensures, to the maximum extent possible, that
26 persons subject to this act avoid situations, relationships, or
27 associations that may represent or lead to an actual or perceived

1 conflict of interest.

2 (i) Develop and administer civil fines for internet gaming
3 operators and internet gaming vendors that violate this act or the
4 rules promulgated under this act. A fine imposed under this
5 subdivision must not exceed \$5,000.00 per violation.

6 (j) Audit and inspect, on reasonable notice, books and records
7 relevant to internet gaming operations, internet wagers, internet
8 wagering accounts, internet games, or internet gaming platforms,
9 including, but not limited to, the books and records regarding
10 financing and accounting materials held by or in the custody of an
11 internet gaming operator or internet gaming vendor.

12 (k) Acquire by lease or by purchase personal property,
13 including, but not limited to, any of the following:

14 (i) Computer hardware.

15 (ii) Mechanical, electronic, and online equipment and
16 terminals.

17 (iii) Intangible property, including, but not limited to,
18 computer programs, software, and systems.

19 (2) The division may investigate and may issue cease and
20 desist orders and obtain injunctive relief against a person that is
21 not licensed by the division that offers internet gaming in this
22 state.

23 (3) The division shall keep all information, records,
24 interviews, reports, statements, memoranda, and other data supplied
25 to or used by the division in the course of any investigation of a
26 person licensed under this act confidential and shall use that
27 material only for investigative purposes. The materials described

1 in this subsection are exempt from disclosure under section 13 of
2 the freedom of information act, 1976 PA 442, MCL 15.243.

3 Sec. 10. Within 1 year after the effective date of this act,
4 the division shall promulgate rules governing the licensing,
5 administration, and conduct of internet gaming under this act. The
6 division shall promulgate the rules pursuant to the administrative
7 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328. The
8 rules may include only things expressly authorized by this act,
9 including all of the following:

10 (a) The types of internet games to be offered, which must
11 include, but need not be limited to, poker, blackjack, cards,
12 slots, and other games typically offered at a casino.

13 (b) The qualifications, standards, and procedures for approval
14 and licensure by the division of internet gaming operators and
15 internet gaming vendors consistent with this act.

16 (c) Requirements to ensure responsible gaming.

17 (d) Technical and financial standards for internet wagering,
18 internet wagering accounts, and internet gaming platforms, systems,
19 and software or other electronic components integral to offering
20 internet gaming.

21 (e) Procedures for conducting contested case hearings under
22 this act.

23 (f) Requirements for multijurisdictional agreements entered
24 into by the division with other jurisdictions, including
25 qualifications, standards, and procedures for approval by the
26 division of internet gaming vendors providing internet gaming
27 platforms in connection with the agreements.

1 (g) Procedures and requirements for the acceptance, by an
2 internet gaming operator, of internet wagers initiated or otherwise
3 made by persons located in other jurisdictions, if the division
4 authorizes multijurisdictional gaming as provided in this act.

5 Sec. 11. (1) An internet gaming operator shall require the
6 internet gaming vendor providing its internet gaming platform to
7 provide 1 or more mechanisms on the internet gaming platform that
8 the internet gaming operator uses that are designed to reasonably
9 verify that an authorized participant is 21 years of age or older
10 and that internet wagering is limited to transactions that are
11 initiated and received or otherwise made by an authorized
12 participant located in this state or, if the division authorizes
13 multijurisdictional internet gaming as provided in this act,
14 another jurisdiction in the United States authorized by the
15 multijurisdictional agreement.

16 (2) An individual who wishes to place an internet wager under
17 this act must satisfy the verification requirements under
18 subsection (1) before the individual may establish an internet
19 wagering account or make an internet wager on an internet game
20 offered by an internet gaming operator.

21 (3) An internet gaming operator shall require the internet
22 gaming vendor providing its internet gaming platform to include
23 mechanisms on its internet gaming platform that are designed to
24 detect and prevent the unauthorized use of internet wagering
25 accounts and to detect and prevent fraud, money laundering, and
26 collusion.

27 (4) An internet gaming operator shall not knowingly authorize

1 any of the following individuals to establish an internet wagering
2 account or knowingly allow them to wager on internet games offered
3 by the internet gaming operator, except if required and authorized
4 by the division for testing purposes or to otherwise fulfill the
5 purposes of this act:

6 (a) An individual who is less than 21 years old.

7 (b) An individual whose name appears in the division's
8 responsible gaming database.

9 (5) An internet gaming operator shall require the internet
10 gaming vendor providing its internet gaming platform to display, on
11 the internet gaming platform used by the internet gaming operator,
12 in a clear, conspicuous, and accessible manner evidence of the
13 internet gaming operator's internet gaming license issued under
14 this act.

15 (6) An internet gaming operator shall not conduct internet
16 gaming until 1 year after the effective date of this act.

17 Sec. 12. (1) The division may develop responsible gaming
18 measures, including a statewide responsible gaming database
19 identifying individuals who are prohibited from establishing an
20 internet wagering account or participating in internet gaming
21 offered by an internet gaming operator. The executive director of
22 the board may place an individual's name in the responsible gaming
23 database if any of the following apply:

24 (a) The individual has been convicted in any jurisdiction of a
25 felony, a crime of moral turpitude, or a crime involving gaming.

26 (b) The individual has violated this act or another gaming-
27 related law.

1 (c) The individual has performed an act or has a notorious or
2 unsavory reputation such that the individual's participation in
3 internet gaming under this act would adversely affect public
4 confidence and trust in internet gaming.

5 (d) The individual's name is on a valid and current exclusion
6 list maintained by this state or another jurisdiction in the United
7 States.

8 (2) The division may promulgate rules for the establishment
9 and maintenance of the responsible gaming database.

10 (3) An internet gaming operator, in a format specified by the
11 division, may provide the division with names of individuals to be
12 included in the responsible gaming database.

13 (4) An internet gaming operator shall require the internet
14 gaming vendor providing its internet gaming platform to display, on
15 the internet gaming platform used by the internet gaming operator,
16 in a clear, conspicuous, and accessible manner the number of the
17 toll-free compulsive gambling hotline maintained by this state and
18 offer responsible gambling services and technical controls to
19 authorized participants, consisting of both temporary and permanent
20 self-exclusion for all internet games offered and the ability for
21 authorized participants to establish their own periodic deposit and
22 internet wagering limits and maximum playing times.

23 (5) An authorized participant may voluntarily prohibit himself
24 or herself from establishing an internet wagering account with an
25 internet gaming operator. The division may incorporate the
26 voluntary self-exclusion list into the responsible gaming database
27 and maintain both the self-exclusion list and the responsible

1 gaming database in a confidential manner.

2 (6) The self-exclusion list and responsible gaming database
3 established under this section are exempt from disclosure under
4 section 13 of the freedom of information act, 1976 PA 442, MCL
5 15.243.

6 Sec. 13. (1) A person shall not do any of the following:

7 (a) Offer internet gaming for play in this state if the person
8 is not an internet gaming operator unless exempt from this act
9 under section 4(4).

10 (b) Knowingly make a false statement on an application for a
11 license to be issued under this act.

12 (c) Knowingly provide false testimony to the board or an
13 authorized representative of the board while under oath.

14 (2) A person that violates subsection (1)(a) is guilty of a
15 felony punishable by imprisonment for not more than 10 years or a
16 fine of not more than \$100,000.00, or both.

17 (3) The division shall not issue a license under this act to a
18 person that violates subsection (1).

19 (4) The attorney general or a county prosecuting attorney may
20 bring an action to prosecute a violation of subsection (1)(a) in
21 the county in which the violation occurred or in Ingham County.

22 Sec. 14. (1) Except for an internet gaming operator that is an
23 Indian tribe, an internet gaming operator is subject to a tax of 8%
24 on the gross gaming revenue received by the internet gaming
25 operator. An internet gaming operator that is an Indian tribe is
26 subject to the payment requirements under section 7(1)(f).

27 (2) An internet gaming operator shall pay the tax or payment,

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1 as applicable, under subsection (1) on a monthly basis. The payment
2 for each monthly accounting period is due on the tenth day of the
3 following month.

4 (3) No other tax, payment, or fee may be imposed on an
5 internet gaming operator by this state or a political subdivision
6 of this state for internet gaming conducted under this act. This
7 subsection does not impair the contractual rights under an existing
8 development agreement between a city and an internet gaming
9 operator that holds a casino license under the Michigan gaming
10 control and revenue act, 1996 IL 1, MCL 432.201 to 432.226.

11 (4) In addition to payment of the tax and other fees as
12 provided in this act, and to any payment required pursuant to an
13 existing development agreement described in subsection (3), if a
14 city has imposed a municipal services fee equal to 1.25% on a
15 casino licensee, the city shall charge a 1.25% fee on the gross
16 gaming revenues of an internet gaming operator that holds a casino
17 license under the Michigan gaming control and revenue act, 1996 IL
18 1, MCL 432.201 to 432.226, whose casino is in that city.

19 Sec. 15. (1) The tax imposed under section 14 must be
20 allocated as follows:

21 (a) Thirty percent to the city in which the internet gaming
22 licensee's casino is located, for use in connection with the
23 following:

24 (i) The hiring, training, and deployment of street patrol
25 officers in that city.

26 (ii) Neighborhood <<development programs designed to create jobs
27 in that city with a focus on blighted neighborhoods.>>

1 (iii) Public safety programs such as emergency medical
2 services, fire department programs, and street lighting in that
3 city.

4 (iv) Anti-gang and youth development programs in that city.

5 (v) Other programs that are designed to contribute to the
6 improvement of the quality of life in that city.

7 (vi) Relief to the taxpayers of the city from 1 or more taxes
8 or fees imposed by the city.

9 (vii) The costs of capital improvements in that city.

10 (viii) Road repairs and improvements in that city.

11 (b) Fifty-five percent to the state to be deposited in the
12 fund.

13 (c) Five percent to be deposited in the state school aid fund
14 established under section 11 of article IX of the state
15 constitution of 1963.

16 (d) Five percent to be deposited in the Michigan
17 transportation fund created under section 10 of 1951 PA 51, MCL
18 247.660, to be disbursed as provided in section 10(1)(l) of 1951 PA
19 51, MCL 247.660.

20 (e) Five percent to the Michigan agriculture equine industry
21 development fund created under section 20 of the horse racing law
22 of 1995, 1995 PA 279, MCL 431.320. However, if the 5% allocated
23 under this subdivision to the Michigan agriculture equine industry
24 development fund created under section 20 of the horse racing law
25 of 1995, 1995 PA 279, MCL 431.320, exceeds \$3,000,000.00 in a
26 fiscal year, the amount in excess of \$3,000,000.00 must be
27 allocated and deposited in the fund created under section 16.

1 (2) By December 31, 2020 and each December 31 after that date,
2 if the combined amount of money received in the preceding fiscal
3 year by the city in which the internet gaming operator licensee's
4 casino is located from money allocated under subsection (1)(a) and
5 from the wagering tax allocated under section 12(3) of the Michigan
6 gaming control and revenue act, 1996 IL 1, MCL 432.212, is less
7 than \$179,000,000.00, the board shall distribute from the fund to
8 the city in which the internet gaming operator licensee's casino is
9 located an amount equal to the difference between \$179,000,000.00
10 and the combined amount of money the city in which the internet
11 gaming operator licensee's casino is located received in the
12 preceding fiscal year from money allocated under subsection (1)(a)
13 and from the wagering tax allocated under section 12(3) of the
14 Michigan gaming control and revenue act, 1996 IL 1, MCL 432.212.
15 However, the total amount the city in which the internet gaming
16 operator licensee's casino is located receives for the preceding
17 fiscal year under subsection (1)(a) and this subsection must not be
18 more than 55% of the total tax imposed under section 14 in the
19 fiscal year.

20 Sec. 15a. Any payments under section 7(1)(f) must be allocated
21 as follows:

22 (a) Seventy-five percent to this state to be deposited in the
23 fund.

24 (b) Twenty-five percent to the Michigan strategic fund created
25 under section 5 of the Michigan strategic fund act, 1984 PA 270,
26 MCL 125.2005.

27 Sec. 16. (1) The internet gaming fund is created in the state

1 treasury.

2 (2) The state treasurer may receive money or other assets
3 required to be paid into the fund under this act or from any other
4 source for deposit into the fund. The state treasurer shall direct
5 the investment of the fund. The state treasurer shall credit to the
6 fund interest and earnings from fund investments.

7 (3) The board is the administrator of the fund for auditing
8 purposes.

9 (4) Except as otherwise provided in section 15(2), the board
10 shall expend money from the fund, on appropriation, for all of the
11 following:

12 (a) Each year, \$1,000,000.00 to the compulsive gaming
13 prevention fund created in section 3 of the compulsive gaming
14 prevention act, 1997 PA 70, MCL 432.253.

15 (b) The board's costs of regulating and enforcing internet
16 gaming under this act.

17 Sec. 17. This act does not authorize the construction or
18 operation of a casino that was not constructed or operating before
19 the effective date of this act.

20 Enacting section 1. This act takes effect 90 days after the
21 date it is enacted into law.

22 Enacting section 2. This act does not take effect unless House
23 Bill No. 6420 of the 99th Legislature is enacted into law.