

HOUSE BILL No. 4311

March 7, 2019, Introduced by Rep. Iden and referred to the Committee on Regulatory Reform.

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".

1 Sec. 2. The legislature finds and declares all of the
2 following:

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

6 (b) This act is consistent and complies with the unlawful
7 internet gambling enforcement act of 2006, 31 USC 5361 to 5367, and
8 specifically authorizes use of the internet to place, receive, or
9 otherwise knowingly transmit a bet or wager if that use complies
10 with this act and rules promulgated under this act.

11 (c) This act is consistent and complies with the state
12 constitution of 1963 by ensuring that the internet may be used to
13 place wagers only on games of skill or chance that may be lawfully
14 played in this state and that internet gaming is only conducted by
15 persons who are lawfully operating casinos in this state.

16 (d) In order to protect residents of this state who wager on
17 games of chance or skill through the internet and to capture
18 revenues generated from internet gaming, it is in the best interest
19 of this state and its citizens to regulate this activity by
20 authorizing and establishing a secure, responsible, fair, and legal
21 system of internet gaming.

22 Sec. 3. As used in this act:

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

26 (b) "Board" means the Michigan gaming control board created
27 under section 4 of the Michigan gaming control and revenue act,

1 1996 IL 1, MCL 432.204.

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

8 (d) "Class II gaming" means that term as defined in 25 USC
9 2703.

10 (e) "Class III gaming" means that term as defined in 25 USC
11 2703.

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

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

17 (h) "Fund" means the internet gaming fund created under
18 section 16.

19 (i) "Gross gaming revenue" means the total of all internet
20 wagers received by an internet gaming operator, less the total of
21 all winnings paid out to authorized participants by the internet
22 gaming operator, during the accounting period. For purposes of this
23 subdivision, internet wagers received by an internet gaming
24 operator do not include the monetary value of free play used by
25 authorized participants.

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

27 (k) "Indian tribe" means that term as defined in 25 USC 2703

1 and any instrumentality, political subdivision, or other legal
2 entity through which an Indian tribe operates its existing casino.

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

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

7 (ii) An employee benefit plan or pension fund that is subject
8 to the employee retirement income security act of 1974, Public Law
9 93-406.

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

12 (iv) A collective investment trust organized by a bank under
13 12 CFR part 9.

14 (v) A closed end investment trust.

15 (vi) A chartered or licensed life insurance company or
16 property and casualty insurance company.

17 (vii) A chartered or licensed financial institution.

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

20 (ix) Any other person that the division determines through
21 rulemaking should be considered to be an institutional investor for
22 reasons consistent with this act.

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

27 (n) "Internet game" means a game of skill or chance that is

1 offered for play through the internet in which an individual wagers
2 money or something of monetary value for the opportunity to win
3 money or something of monetary value. For purposes of this
4 definition, free plays or extended playing time that is won on a
5 game of skill or chance that is offered through the internet is not
6 something of monetary value. Internet game includes gaming
7 tournaments conducted via the internet in which individuals compete
8 against one another in 1 or more of the games authorized by the
9 division or in approved variations or composites as authorized by
10 the division.

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

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

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

19 (r) "Internet gaming vendor" means a person that provides to
20 an internet gaming operator goods, software, or services that
21 directly affect wagering, play, and results of internet games
22 offered under this act, including goods, software, or services
23 necessary to the acceptance, operation, administration, or control
24 of internet wagers, internet games, internet wagering accounts, or
25 internet gaming platforms. Internet gaming vendor does not include
26 a person that provides to an internet gaming operator only such
27 goods, software, or services that it also provides to others for

1 purposes not involving internet gaming, including, but not limited
2 to, a payment processor or a geolocation service provider.

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

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

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

10 (i) Deposits.

11 (ii) Withdrawals.

12 (iii) Internet wagers.

13 (iv) Monetary value of prizes.

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

16 (vi) Adjustments to the account.

17 (v) "Person" means an individual, partnership, corporation,
18 association, limited liability company, Indian tribe, or other
19 legal entity.

20 (w) "Prizes" includes both monetary and nonmonetary prizes
21 received directly or indirectly by an authorized participant from
22 an internet gaming operator as a direct or indirect result of
23 internet wagering. The value of a nonmonetary prize is the actual
24 cost of the prize.

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

26 (i) The total monetary value of prizes received by authorized
27 participants.

1 (ii) Stakes returned to authorized participants.

2 (iii) Other amounts credited to authorized participants'
3 internet wagering accounts, including the monetary value of loyalty
4 points, and other similar complimentaries and incentives, not
5 including free play, granted to authorized participants as a result
6 of participation in internet games.

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

9 (2) An internet wager received by an internet gaming operator
10 is considered to be gambling or gaming that is conducted in the
11 internet gaming operator's casino located in this state, regardless
12 of the authorized participant's location at the time the
13 participant initiates or otherwise places the internet wager.

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

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

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

20 (b) Class II and Class III gaming conducted exclusively on
21 Indian lands by an Indian tribe under a facility license issued in
22 accordance with a tribal gaming ordinance approved by the chair of
23 the National Indian Gaming Commission. For purposes of this
24 subdivision, gaming is conducted exclusively on Indian lands only
25 if the individual who places the wager is physically present on
26 Indian lands when the wager is initiated and the wager is received
27 or otherwise made on equipment that is physically located on those

1 Indian lands, and the wager is initiated, received, or otherwise
2 made in conformity with the safe harbor requirements described in
3 31 USC 5362(10)(C).

4 (c) A fantasy contest conducted under the fantasy contests
5 consumer protection act.

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

11 (6) For purposes of this act, the intermediate routing of
12 electronic data in connection with internet wagering, including
13 routing across state lines, does not determine the location or
14 locations in which the wager is initiated, received, or otherwise
15 made.

16 Sec. 5. (1) The division of internet gaming is established in
17 the board. The division has the powers and duties specified in this
18 act and all other powers necessary to enable it to fully and
19 effectively execute this act to administer, regulate, and enforce
20 the system of internet gaming established by this act.

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

25 (3) The division may enter into agreements with other
26 jurisdictions, including Indian tribes, to facilitate, administer,
27 and regulate multijurisdictional internet gaming by internet gaming

1 operators to the extent that entering into the agreement is
2 consistent with state and federal laws and if the gaming under the
3 agreement is conducted only in the United States.

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

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

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

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

15 (2) The division shall issue an internet gaming license to an
16 applicant described in subsection (1) after receiving the
17 application described in subsection (4) or (5), as applicable, and
18 the application fee, if the division determines that the internet
19 gaming proposed by the applicant complies with this act and the
20 applicant is otherwise eligible and suitable. An applicant is
21 eligible if it meets the requirements set forth in subsection
22 (1)(a) or (b). It is the burden of the applicant to establish by
23 clear and convincing evidence its suitability as to character,
24 reputation, integrity, business probity, and financial ability. The
25 application or enforcement of this subsection by the division must
26 not be arbitrary, capricious, or contradictory to the express
27 provisions of this act. In evaluating the eligibility and

1 suitability of an applicant under the standards provided in this
2 act, the division shall establish and apply the standards to each
3 applicant in a consistent and uniform manner. In determining
4 whether to grant a license to an applicant, the division may
5 request and consider any or all of the following information from
6 the applicant as a factor in the determination:

7 (a) Whether the applicant has adequate capitalization and the
8 financial ability and the means to develop, construct, operate, and
9 maintain the proposed internet gaming platform and to offer and
10 conduct internet gaming in accordance with this act and the rules
11 promulgated by the division.

12 (b) Whether the applicant has the financial ability to
13 purchase and maintain adequate liability and casualty insurance and
14 to provide an adequate surety bond.

15 (c) Whether the applicant has adequate capitalization and the
16 financial ability to responsibly pay off its secured and unsecured
17 debts in accordance with its financing agreements and other
18 contractual obligations.

19 (d) Whether the applicant has a history of material
20 noncompliance with casino or casino-related licensing requirements
21 or compacts with this state or any other jurisdiction, where the
22 noncompliance resulted in enforcement action by the body having
23 jurisdiction over the applicant.

24 (e) Whether the applicant has been indicted for, charged with,
25 arrested for, or convicted of, pleaded guilty or nolo contendere
26 to, forfeited bail concerning, or had expunged any criminal offense
27 under the laws of any jurisdiction, either felony or misdemeanor,

1 not including traffic violations, regardless of whether the offense
2 has been expunged, pardoned, or reversed on appeal or otherwise.
3 The division may consider mitigating factors, and, for an applicant
4 described in subsection (1)(b), shall give deference to whether the
5 applicant has otherwise met the requirements of the applicant's
6 gaming compact for licensure, as applicable.

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

11 (g) Whether the applicant has a history of material
12 noncompliance with any regulatory requirements in this state or any
13 other jurisdiction where the noncompliance resulted in an
14 enforcement action by the regulatory agency having jurisdiction
15 over the applicant.

16 (h) Whether at the time of application the applicant is a
17 defendant in litigation involving the integrity of its casino
18 business practices.

19 (3) An internet gaming license issued under this act is valid
20 for the 5-year period after the date of issuance and, if the
21 division determines that the licensee continues to meet the
22 eligibility and suitability standards under this act, is renewable
23 for additional 5-year periods.

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

1 the division.

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

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

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

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

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

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

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

18 (g) Financial information, including copies of the last
19 independent audit and management letter submitted by the applicant
20 to the National Indian Gaming Commission under 25 USC 2710(b)(2)(C)
21 and (D) and 25 CFR parts 271.12 and 271.13.

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

25 (6) An initial application for an internet gaming license must
26 be accompanied by an application fee of \$100,000.00. The rules
27 promulgated under section 10 may include provisions for the refund

1 of an application fee, or the portion of an application fee that
2 has not been expended by the division in processing the
3 application, and the circumstances under which the fee will be
4 refunded.

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

14 (8) An application under this section must be submitted and
15 considered in accordance with this act and any rules promulgated
16 under this act.

17 (9) An internet gaming operator shall pay a license fee of
18 \$200,000.00 to the division at the time the initial internet gaming
19 license is issued and \$100,000.00 each year after the initial
20 license is issued.

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

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

26 Sec. 7. (1) The division shall condition the issuance,
27 maintenance, and renewal of an internet gaming license to a person

1 described in section 6(1)(b) on the person's compliance with all of
2 the following conditions:

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

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

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

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

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

17 (b) The person adopts and maintains technical standards for
18 internet gaming platforms, systems, and software that are
19 consistent with the standards adopted by the division under section
20 10.

21 (c) The person maintains 1 or more mechanisms on the internet
22 gaming platform utilized by the person that are designed to
23 reasonably verify that an authorized participant is 21 years of age
24 or older and that internet wagering is limited to transactions that
25 are initiated and received or otherwise made by an authorized
26 participant located in this state or, if the division authorizes
27 multijurisdictional internet gaming as provided in this act,

1 another jurisdiction in the United States authorized by the
2 multijurisdictional agreement.

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

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

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

14 (g) The person agrees to and timely provides, on written
15 request of the division, books and records directly related to its
16 internet gaming operations for the purpose of permitting the
17 division to verify the calculation of the payments under
18 subdivision (f).

19 (h) The person provides a waiver of sovereign immunity to the
20 division for the sole and limited purpose of consenting to both of
21 the following:

22 (i) The jurisdiction of the division to the extent necessary
23 and for the limited purpose of providing a mechanism for the
24 division to do all of the following:

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

27 (B) Enforce the payment obligations set forth in this section

1 and section 14.

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

4 (D) Inspect the person's internet gaming operation and records
5 to verify that the person is conducting its internet gaming
6 operation in conformity with the conditions prescribed in this
7 section.

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

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

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

22 (2) This state, acting through the governor, shall, at the
23 request of any Indian tribe, negotiate any amendments to an Indian
24 tribe's compact necessary to ensure compliance with this act and
25 any applicable federal laws. If the governor fails to enter into
26 negotiations with any Indian tribe, or fails to negotiate in good
27 faith with respect to any request, the Indian tribe may initiate a

1 cause of action against the governor in his or her official
2 capacity in either state court or in federal court and obtain those
3 remedies as authorized in 25 USC 2710(d)(7).

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

13 Sec. 8. (1) The division may issue an internet gaming vendor
14 license to a person to provide goods, software, or services to
15 internet gaming operators. A person that is not licensed under this
16 section shall not provide goods, software, or services as an
17 internet gaming vendor to an internet gaming operator.

18 (2) On application by an interested person, the division may
19 issue a provisional internet gaming vendor license to an applicant
20 for an internet gaming vendor license. A provisional license issued
21 under this subsection allows the applicant for the internet gaming
22 vendor license to conduct business with an internet gaming operator
23 before the internet gaming vendor license is issued to the
24 applicant. A provisional license issued under this subsection
25 expires on the date provided in the license by the division.

26 (3) An internet gaming vendor license issued under subsection
27 (1) is valid for the 5-year period after the date of issuance. An

1 internet gaming vendor license is renewable after the initial 5-
2 year period for additional 5-year periods if the division
3 determines that the internet gaming vendor continues to meet the
4 eligibility and suitability standards under this act.

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

8 (5) Except as otherwise provided in this section, an
9 application under this section must be made on forms provided by
10 the division and include the information required by the division.
11 An Indian tribe that submits an application under this section
12 shall provide only the information described in section 6(5).

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

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

26 (8) Except as otherwise provided in this subsection, an
27 internet gaming vendor shall pay a license fee of \$5,000.00 to the

1 division at the time an initial internet gaming vendor license is
2 issued to the internet gaming vendor and \$2,500.00 each year after
3 the initial license is issued. An internet gaming vendor that
4 provides to an internet gaming operator all or substantially all of
5 an internet gaming platform shall pay a license fee of \$100,000.00
6 to the division at the time the initial license is issued to the
7 vendor and \$50,000.00 each year after the initial license is
8 issued.

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

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

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

18 (a) Develop qualifications, standards, and procedures for
19 approval and licensure by the division of internet gaming operators
20 and internet gaming vendors.

21 (b) Decide promptly and in reasonable order all license
22 applications and approve, deny, suspend, revoke, restrict, or
23 refuse to renew internet gaming licenses and internet gaming vendor
24 licenses. A party aggrieved by an action of the division denying,
25 suspending, revoking, restricting, or refusing to renew a license
26 may request a contested case hearing before the division. A request
27 for hearing under this subdivision must be made to the division in

1 writing within 21 days after service of notice of the action by the
2 division.

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

5 (d) Provide for the establishment and collection of all
6 applicable license fees, taxes, and payments imposed by this act
7 and the rules promulgated under this act and the deposit of the
8 applicable fees, taxes, and payments into the fund.

9 (e) Develop and enforce testing and auditing requirements for
10 internet gaming platforms, internet wagering, and internet wagering
11 accounts.

12 (f) Develop and enforce requirements for responsible gaming
13 and player protection, including privacy and confidentiality
14 standards and duties.

15 (g) Develop and enforce requirements for accepting internet
16 wagers.

17 (h) Adopt by rule a code of conduct governing division
18 employees that ensures, to the maximum extent possible, that
19 persons subject to this act avoid situations, relationships, or
20 associations that may represent or lead to an actual or perceived
21 conflict of interest.

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

26 (j) Audit and inspect, on reasonable notice, books and records
27 relevant to internet gaming operations, internet wagers, internet

1 wagering accounts, internet games, or internet gaming platforms,
2 including, but not limited to, the books and records regarding
3 financing and accounting materials held by or in the custody of an
4 internet gaming operator or internet gaming vendor.

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

7 (i) Computer hardware.

8 (ii) Mechanical, electronic, and online equipment and
9 terminals.

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

12 (2) The division may investigate and may issue cease and
13 desist orders and obtain injunctive relief against a person that is
14 not licensed by the division that offers internet gaming in this
15 state.

16 (3) The division shall keep all information, records,
17 interviews, reports, statements, memoranda, and other data supplied
18 to or used by the division in the course of any investigation of a
19 person licensed under this act confidential and shall use that
20 material only for investigative purposes. The materials described
21 in this subsection are exempt from disclosure under section 13 of
22 the freedom of information act, 1976 PA 442, MCL 15.243.

23 Sec. 10. Within 1 year after the effective date of this act,
24 the division shall promulgate rules governing the licensing,
25 administration, and conduct of internet gaming under this act. The
26 division shall promulgate the rules pursuant to the administrative
27 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328. The

1 rules may include only things expressly authorized by this act,
2 including all of the following:

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

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

9 (c) Requirements to ensure responsible gaming.

10 (d) Technical and financial standards for internet wagering,
11 internet wagering accounts, and internet gaming platforms, systems,
12 and software or other electronic components integral to offering
13 internet gaming.

14 (e) Procedures for conducting contested case hearings under
15 this act.

16 (f) Requirements for multijurisdictional agreements entered
17 into by the division with other jurisdictions, including
18 qualifications, standards, and procedures for approval by the
19 division of internet gaming vendors providing internet gaming
20 platforms in connection with the agreements.

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

25 Sec. 11. (1) An internet gaming operator shall require the
26 internet gaming vendor providing its internet gaming platform to
27 provide 1 or more mechanisms on the internet gaming platform that

1 the internet gaming operator uses that are designed to reasonably
2 verify that an authorized participant is 21 years of age or older
3 and that internet wagering is limited to transactions that are
4 initiated and received or otherwise made by an authorized
5 participant located in this state or, if the division authorizes
6 multijurisdictional internet gaming as provided in this act,
7 another jurisdiction in the United States authorized by the
8 multijurisdictional agreement.

9 (2) An individual who wishes to place an internet wager under
10 this act must satisfy the verification requirements under
11 subsection (1) before the individual may establish an internet
12 wagering account or make an internet wager on an internet game
13 offered by an internet gaming operator.

14 (3) An internet gaming operator shall require the internet
15 gaming vendor providing its internet gaming platform to include
16 mechanisms on its internet gaming platform that are designed to
17 detect and prevent the unauthorized use of internet wagering
18 accounts and to detect and prevent fraud, money laundering, and
19 collusion.

20 (4) An internet gaming operator shall not knowingly authorize
21 any of the following individuals to establish an internet wagering
22 account or knowingly allow them to wager on internet games offered
23 by the internet gaming operator, except if required and authorized
24 by the division for testing purposes or to otherwise fulfill the
25 purposes of this act:

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

27 (b) An individual whose name appears in the division's

1 responsible gaming database.

2 (5) An internet gaming operator shall require the internet
3 gaming vendor providing its internet gaming platform to display, on
4 the internet gaming platform used by the internet gaming operator,
5 in a clear, conspicuous, and accessible manner evidence of the
6 internet gaming operator's internet gaming license issued under
7 this act.

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

10 Sec. 12. (1) The division may develop responsible gaming
11 measures, including a statewide responsible gaming database
12 identifying individuals who are prohibited from establishing an
13 internet wagering account or participating in internet gaming
14 offered by an internet gaming operator. The executive director of
15 the board may place an individual's name in the responsible gaming
16 database if any of the following apply:

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

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

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

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

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

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

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

16 (5) An authorized participant may voluntarily prohibit himself
17 or herself from establishing an internet wagering account with an
18 internet gaming operator. The division may incorporate the
19 voluntary self-exclusion list into the responsible gaming database
20 and maintain both the self-exclusion list and the responsible
21 gaming database in a confidential manner.

22 (6) The self-exclusion list and responsible gaming database
23 established under this section are exempt from disclosure under
24 section 13 of the freedom of information act, 1976 PA 442, MCL
25 15.243.

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

27 (a) Offer internet gaming for play in this state if the person

1 is not an internet gaming operator unless exempt from this act
2 under section 4(4).

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

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

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

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

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

15 Sec. 14. (1) Except for an internet gaming operator that is an
16 Indian tribe, an internet gaming operator is subject to a tax of 8%
17 on the gross gaming revenue received by the internet gaming
18 operator. An internet gaming operator that is an Indian tribe is
19 subject to the payment requirements under section 7(1)(f).

20 (2) An internet gaming operator shall pay the tax or payment,
21 as applicable, under subsection (1) on a monthly basis. The payment
22 for each monthly accounting period is due on the tenth day of the
23 following month.

24 (3) No other tax, payment, or fee may be imposed on an
25 internet gaming operator by this state or a political subdivision
26 of this state for internet gaming conducted under this act. This
27 subsection does not impair the contractual rights under an existing

1 development agreement between a city and an internet gaming
2 operator that holds a casino license under the Michigan gaming
3 control and revenue act, 1996 IL 1, MCL 432.201 to 432.226.

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

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

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

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

19 (ii) Neighborhood development programs designed to create jobs
20 in that city with a focus on blighted neighborhoods.

21 (iii) Public safety programs such as emergency medical
22 services, fire department programs, and street lighting in that
23 city.

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

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

27 (vi) Relief to the taxpayers of the city from 1 or more taxes

1 or fees imposed by the city.

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

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

4 (b) Fifty-five percent to the state to be deposited in the
5 fund.

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

9 (d) Five percent to be deposited in the Michigan
10 transportation fund created under section 10 of 1951 PA 51, MCL
11 247.660, to be disbursed as provided in section 10(1)(l) of 1951 PA
12 51, MCL 247.660.

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

21 (2) By December 31, 2020 and each December 31 after that date,
22 if the combined amount of money received in the preceding fiscal
23 year by the city in which the internet gaming operator licensee's
24 casino is located from money allocated under subsection (1)(a) and
25 from the wagering tax allocated under section 12(3) of the Michigan
26 gaming control and revenue act, 1996 IL 1, MCL 432.212, is less
27 than \$179,000,000.00, the board shall distribute from the fund to

1 the city in which the internet gaming operator licensee's casino is
2 located an amount equal to the difference between \$179,000,000.00
3 and the combined amount of money the city in which the internet
4 gaming operator licensee's casino is located received in the
5 preceding fiscal year from money allocated under subsection (1)(a)
6 and from the wagering tax allocated under section 12(3) of the
7 Michigan gaming control and revenue act, 1996 IL 1, MCL 432.212.
8 However, the total amount the city in which the internet gaming
9 operator licensee's casino is located receives for the preceding
10 fiscal year under subsection (1)(a) and this subsection must not be
11 more than 55% of the total tax imposed under section 14 in the
12 fiscal year.

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

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

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

20 Sec. 16. (1) The internet gaming fund is created in the state
21 treasury.

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

27 (3) The board is the administrator of the fund for auditing

1 purposes.

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

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

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

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

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

15 Enacting section 2. This act does not take effect unless
16 Senate Bill No. ____ or House Bill No. 4308 (request no. 01480'19)
17 of the 100th Legislature is enacted into law.