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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 1386 Session of  
2014

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INTRODUCED BY ERICKSON AND MENSCH, JUNE 17, 2014

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REFERRED TO COMMUNITY, ECONOMIC AND RECREATIONAL DEVELOPMENT,  
JUNE 17, 2014

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AN ACT

1 Amending Title 4 (Amusements) of the Pennsylvania Consolidated  
2 Statutes, providing for authorized interactive gaming and for  
3 duties of Pennsylvania Gaming Control Board and Department of  
4 Health; imposing an interactive gaming tax and prescribing  
5 penalties.

6 The General Assembly of the Commonwealth of Pennsylvania  
7 hereby enacts as follows:

8 Section 1. Title 4 of the Pennsylvania Consolidated Statutes  
9 is amended by adding a chapter to read:

10 CHAPTER 13B

11 AUTHORIZED INTERACTIVE GAMING

12 Sec.

13 13B01. Legislative policy.

14 13B02. Definitions.

15 13B03. Regulation and enforcement by the board.

16 13B04. Prohibition on unauthorized Internet gaming.

17 13B05. Application for license.

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19 13B07. Institutional investors.

- 1 13B08. Presumption of unsuitability.
- 2 13B09. Licensing fee.
- 3 13B10. Accounting and operational internal controls.
- 4 13B11. Interactive gaming tax.
- 5 13B12. Prohibition on Internet cafes.
- 6 13B13. Testing of hardware, software and equipment.
- 7 13B14. Expanded compulsive and problem gambling programs.
- 8 13B15. Application of other provisions of this part.
- 9 § 13B01. Legislative policy.

10 The General Assembly recognizes the following public policy  
11 purposes and declares that the following objectives of the  
12 Commonwealth are to be served by this chapter:

13 (1) The legalization of slot machines and table games in  
14 Pennsylvania has delivered substantial benefits to the  
15 Commonwealth, including tax revenue for property tax relief  
16 and general economic development, the creation over 15,000  
17 jobs and significant contributions to the horse racing and  
18 agricultural industries.

19 (2) Developments in technology and recent legal  
20 decisions have created an opportunity to legalize interactive  
21 poker as a means to further enhance and complement the  
22 benefits delivered by casino gaming, licensed facilities and  
23 the communities in which they operate.

24 (3) Interactive gaming operates by having players  
25 establish and draw funds from an individual account to place  
26 a wager in authorized games through the Internet and similar  
27 communications media. The Commonwealth currently authorizes  
28 gaming in the form of slot machines and banking and  
29 nonbanking table games, including poker. These gaming  
30 operations provide licensed entities in this Commonwealth the

1 appropriate level of experience to introduce a platform for  
2 interactive gaming that protects the player and the integrity  
3 of the game.

4 (4) It is a vital public interest that licensed entities  
5 retain responsibility for the interactive gaming software and  
6 hardware which shall remain under their ultimate operational  
7 and supervisory control. Vendors' ability to provide the  
8 interactive gaming platform must depend solely on, and be  
9 tied to, the status of the licensed entity for which they are  
10 providing their services. To ensure that actual control and  
11 supervision remains with the licensed entity, the licensed  
12 entity's publicly accessible Internet website or similar  
13 public portal must be marketed and made available to the  
14 public under the licensed entity's own name and brand and not  
15 the brands of third parties.

16 (5) Poker is unlike banking games in important respects  
17 that make it well suited for interactive gaming. Poker  
18 operators are not participants in the games and are  
19 indifferent to the outcome because winnings come not from the  
20 house, but from the pool of other players, not the house. In  
21 addition, winning at poker involves some measure of skill.  
22 Skillful poker players can earn winnings in the long term,  
23 while players of banking games play against odds favoring the  
24 house.

25 (6) Any interactive gaming enforcement and regulatory  
26 structure must begin from the premise that participation in a  
27 lawful and licensed gaming industry is a privilege, not a  
28 right and that regulatory oversight is intended to safeguard  
29 the integrity of the games and participants and to ensure  
30 accountability.

1           (7) With the passage of the Unlawful Internet Gambling  
2 Enforcement Act of 2006, codified at 31 U.S.C. Ch. 53, Subch.  
3 IV (relating to prohibition on funding of unlawful Internet  
4 gambling), clarified issues concerning the scope and  
5 interpretation of State law, including the importance of the  
6 location of the wager, wagering activity and website. For  
7 purposes of suitability for licensing under this act, persons  
8 who provided goods or services related to Internet gaming  
9 involving citizens of this Commonwealth that ceased  
10 operations after the enactment of the Unlawful Internet  
11 Gambling Enforcement Act should be regarded differently from  
12 those that continued to flout Federal and State law. Granting  
13 licenses or allowing the use of the assets of persons who  
14 ignored Federal and State law would reward unlawful gaming  
15 activity, permit manifestly unsuitable persons to profit from  
16 their unlawful gaming activity and create unfair competition  
17 with licensees that respected Federal and State law.

18           (8) The Commonwealth has entrusted the control and  
19 regulation of gaming to the Pennsylvania Gaming Control Board  
20 for the past seven years. Based on that experience, it is now  
21 appropriate to delegate the responsibility for the  
22 implementation and regulation of interactive gaming to the  
23 board.

24           (9) Authorized interactive gaming, once fully developed,  
25 will allow persons in this Commonwealth to participate in  
26 interactive poker, not only with other persons in this  
27 Commonwealth, but with persons in other cooperating United  
28 States jurisdictions where interactive poker has been  
29 authorized.

30           (10) The expansion of gaming through the authorization

1 of interactive gaming requires the Commonwealth to take steps  
2 to increase awareness of problem gambling across interactive  
3 channels and to implement effective strategies for  
4 prevention, assessment and treatment of this behavioral  
5 disorder.

6 § 13B02. Definitions.

7 "Affiliate." As defined in 51 Pa.C.S. § 2252 (relating to  
8 definitions) The term does not include an individual.

9 "Authorized game." Any interactive game approved by the  
10 board pursuant to this chapter.

11 "Authorized participant." A person placing a wager who is  
12 either physically present in this Commonwealth or located in a  
13 jurisdiction with which the Commonwealth has negotiated an  
14 interactive gaming agreement. The intermediate routing of  
15 electronic data in connection with interactive games shall not  
16 determine the location or locations in which a wager is  
17 initiated, received or otherwise made.

18 "Covered asset." Any of the following categories of assets,  
19 if specifically designed for use and knowingly and willfully  
20 used in connection with wagers or gambling games, using the  
21 Internet and involving customers located in the United States  
22 after December 31, 2006, unless licensed by a Federal or State  
23 authority to engage in such activity:

24 (1) any trademark, trade name, service mark or similar  
25 intellectual property that is used to identify any aspect of  
26 the Internet website or the operator offering the wagers or  
27 interactive games to its customers;

28 (2) any database or customer list of individuals  
29 residing in the United States who placed wagers or  
30 participated in interactive games with or through an Internet

1 website or operator not licensed by a Federal or state  
2 authority to engage in such activity;

3 (3) any derivative of a database or customer list  
4 described in paragraph (2); or

5 (4) software, including any derivative, update or  
6 customization of such software, or hardware relating to the  
7 management, administration, development, testing or control  
8 of the Internet website, the interactive games or wagers  
9 offered through the website or the operator.

10 "Gross interactive gaming revenue." The total of all cash or  
11 cash equivalents paid by authorized participants to a licensee  
12 in consideration for the play of interactive games minus:

13 (1) The total of cash or cash equivalents paid out to  
14 players as winnings.

15 (2) Promotional gaming credits.

16 (3) The cash equivalent value of any personal property  
17 or other noncash item of value included in a drawing, contest  
18 or tournament and distributed to players.

19 (4) Taxes paid to other states or territories of the  
20 United States pursuant to interactive gaming agreements  
21 implemented under this chapter.

22 (5) Revenues from nongaming sources, such as food,  
23 beverages, souvenirs, advertising, clothing or other  
24 nongaming sources.

25 Amounts deposited with a licensee for purposes of interactive  
26 gaming and amounts taken in fraudulent acts perpetrated against  
27 a licensee for which the licensee is not reimbursed shall be  
28 considered to have been paid to the licensee for purposes of  
29 calculating gross interactive gaming revenue.

30 "Interactive game." Any game offered through the use of

1 communications technology that allows a person, utilizing money,  
2 checks, electronic checks, electronic transfers of money, credit  
3 cards, debit cards or any other instrumentality, to transmit to  
4 electronic information to assist in the placing of a wager and  
5 corresponding information related to the display of the game,  
6 game outcomes or other similar information. The term does not  
7 include the conduct of gaming that occurs entirely among  
8 participants located within the licensed facility of the  
9 licensee or its affiliate, to the extent that any such gaming  
10 may be authorized by the board or noninteractive games that do  
11 not otherwise require a license under the laws of this  
12 Commonwealth. For purposes of this definition, "communications  
13 technology" means any method used and the components employed by  
14 an establishment to facilitate the transmission of information,  
15 including, but not limited to, transmission and reception by  
16 systems based on wire, cable, radio, microwave, light, optics or  
17 computer data networks, including, but not limited to, the  
18 Internet and intranets.

19 "Interactive gaming agreement." A negotiated agreement  
20 between the Commonwealth and one or more of the states or  
21 territories of the United States in which interactive gaming is  
22 legally authorized that permits persons located in such other  
23 jurisdictions to place wagers on interactive games with  
24 licensees in this Commonwealth or to permit persons located in  
25 this Commonwealth to place wagers on interactive games with  
26 licensees in such other jurisdictions, or both. Agreements may  
27 contain other provisions the board deems appropriate, except  
28 that only authorized games may be permitted to be offered to  
29 persons located in this Commonwealth pursuant to an agreement.

30 "Interactive gaming license." A license issued by the board

1 pursuant to this chapter which authorizes the holder to offer  
2 authorized games for play by, and to accept bets and wagers  
3 associated with authorized games from, authorized participants.

4 "Interactive gaming platform." The combination of hardware  
5 and software designed and used to manage, conduct or record  
6 interactive games or the wagers associated with those games and  
7 which has been approved by the board for purposes of the conduct  
8 of authorized games.

9 "Interactive gaming skin." The portal to an interactive  
10 gaming platform or Internet website through which an authorized  
11 game is made available to customers in this Commonwealth.

12 "Internet." A computer network of interoperable packet-  
13 switched data networks.

14 "Key interactive gaming employee." An individual employed by  
15 a licensee, significant vendor or applicant, or by a holding or  
16 intermediary company of a licensee, significant vendor or  
17 applicant, who is involved in the operation of, or of the wagers  
18 associated with, interactive gaming and who is empowered to make  
19 discretionary decisions that regulate interactive gaming  
20 operations.

21 "Licensee." A licensed entity that holds an interactive  
22 gaming license.

23 "Poker." Any of several card games traditionally known as  
24 poker, in which players compete against each other and not  
25 against the person operating the game, including a game using an  
26 electronic device that simulates a deck of cards. The term  
27 includes cash games and tournaments. Licensees may assess a rake  
28 or any other type of fee associated with the game, contest or  
29 tournament but may not wager with or against any player.

30 "Promotional gaming credit." Any bonus, promotion or amount



1 received by a licensee from an authorized participant for which  
2 the licensee can demonstrate that it or its affiliate has not  
3 received cash.

4 "Significant vendor." A person who offers or proposes to  
5 offer any of the following services with respect to interactive  
6 gaming:

7 (1) management, administration or control of wagers or  
8 of the interactive games themselves;

9 (2) development, maintenance, provision or operation of  
10 an interactive gaming platform or any discrete component  
11 thereof;

12 (3) sale, licensing or other receipt of compensation for  
13 selling or licensing a database or customer list of  
14 individuals residing in the United States selected, in whole  
15 or in part, because they placed wagers or participated in  
16 gambling games with or through an Internet website or  
17 operator or any derivative of such a database or customer  
18 list;

19 (4) provision of any product, service or asset to a  
20 licensee or significant vendor in return for a percentage of  
21 interactive gaming revenue, not including fees to financial  
22 institutions and payment providers for facilitating a deposit  
23 or withdrawal by an authorized participant; or

24 (5) provision of any trademark, trade name, service mark  
25 or similar intellectual property under which a licensee or  
26 significant vendor identifies to customers the authorized  
27 games, the website or equivalent hosting the authorized  
28 games, any interactive gaming skin or the interactive gaming  
29 platform, but excluding intellectual property of a person  
30 providing only art or graphics.

1 The term does not include any key interactive gaming employee of  
2 a licensee or significant vendor. A significant vendor must be  
3 licensed by the board to provide these services.

4 § 13B03. Regulation and enforcement by the board.

5 (a) General rule.--The board shall promulgate regulations  
6 for the operation and conduct of interactive gaming in this  
7 Commonwealth and shall enforce the regulations.

8 (b) Powers and duties.--

9 (1) The board shall authorize licensees and significant  
10 vendors to conduct interactive gaming involving authorized  
11 participants, subject to the provisions of this chapter and  
12 other applicable provisions of law. The board shall also  
13 develop standards for evaluating and approving interactive  
14 gaming platforms for use with interactive gaming.

15 (2) The board may determine in its discretion the  
16 categories of employees who satisfy the definition of "key  
17 interactive employee" and may exclude from the scope of this  
18 definition any particular licensee, significant vendor,  
19 applicant or employee or category of employee it deems  
20 appropriate.

21 (c) Delegated authority.--The board is designated as the  
22 agency of the Commonwealth with the power and authority to  
23 negotiate and enter into interactive gaming agreements on behalf  
24 of the Commonwealth consistent with this chapter.

25 (d) Interactive gaming agreements.--To the extent  
26 practicable, the board shall negotiate interactive gaming  
27 agreements with other states, territories or possessions of the  
28 United States in which interactive gaming has been authorized to  
29 allow players in this Commonwealth to participate in authorized  
30 games with players in such other jurisdictions.

1 § 13B04. Prohibition on unauthorized Internet gaming.

2 (a) Unauthorized gaming.--

3 (1) It shall be unlawful for any person to willfully and  
4 knowingly operate, carry on, offer or expose for play any  
5 interactive game or to accept any bet or wager associated  
6 with any interactive game from any person physically located  
7 in this Commonwealth at the time of such play that is not  
8 within the scope of a valid and current license issued by the  
9 board pursuant to this chapter or by another state, territory  
10 or possession of the United States with which the  
11 Commonwealth has an interactive gaming agreement that permits  
12 such activity.

13 (2) It shall be unlawful for any person to willfully and  
14 knowingly provide services with respect to any interactive  
15 game, bet or wager specified in paragraph (1).

16 (b) Grading of offense.--A person who violates subsection  
17 (a) commits a misdemeanor of the first degree. For a second or  
18 subsequent violation of subsection (a), a person commits a  
19 felony of the second degree.

20 (c) Penalties.--

21 (1) For a first violation of subsection (a), a person  
22 shall be sentenced to pay a fine of:

23 (i) Not less than \$75,000 nor more than \$150,000, if  
24 the person is an individual;

25 (ii) Not less than \$150,000 nor more than \$300,000,  
26 if the person is a licensed manufacturer or supplier; or

27 (iii) Not less than \$300,000 nor more than \$600,000,  
28 if the person is a licensed gaming entity.

29 (2) For a second or subsequent violation of subsection  
30 (a), a person shall be sentenced to pay a fine of:

1           (i) Not less than \$150,000 nor more than \$300,000,  
2           if the person is an individual.

3           (ii) Not less than \$300,000 nor more than \$600,000,  
4           if the person is a licensed manufacturer or supplier.

5           (iii) Not less than \$600,000 nor more than  
6           \$1,200,000, if the person is a licensed gaming entity.

7           (d) Forfeiture.--If a person places a wager on an  
8           interactive game from a location in which such activity is  
9           unauthorized, the person shall forfeit all entitlement to any  
10           winnings and the moneys associated with any such forfeited  
11           winnings shall be deposited by the licensee into the Compulsive  
12           and Problem Gambling Treatment Fund established under section  
13           1509(b) (relating to compulsive and problem gambling program).

14           (e) Tax Liability.--An unlicensed person offering  
15           interactive games to persons in this Commonwealth shall be  
16           liable for all taxes required by this chapter in the same manner  
17           and amounts as if such person were a licensee. Timely payment of  
18           such taxes shall not constitute a defense to any prosecution or  
19           other proceeding in connection with unauthorized interactive  
20           gaming, except for a prosecution or proceeding alleging failure  
21           to make such payment.

22           § 13B05. Application for license.

23           (a) Filing of application.--Ninety days from the effective  
24           date of this section the board shall permit filing of  
25           applications for licenses pursuant to this chapter. (???  
26           temporary regulations.) The application shall include, as  
27           applicable:

28           (1) The name and business address of the applicant,  
29           including an organizational chart which identifies the  
30           applicant's relationship to any person that holds a slot

1 machine license and a table game operation certificate issued  
2 by the board.

3 (2) Identification of and a detailed description of the  
4 qualifications of any proposed significant vendors. Detailed  
5 information shall be provided describing the specific  
6 operational responsibilities of significant vendors and the  
7 nature of the economic relationship with those significant  
8 vendors.

9 (3) A detailed description of the technical protocols  
10 and parameters of the interactive gaming platform proposed to  
11 be utilized.

12 (4) Identification and a description of the interactive  
13 games the applicant proposes to make available.

14 (5) Such other information as the board, in its  
15 discretion, shall determine to require.

16 (b) Temporary authorization.--

17 (1) During the first 18 months from the effective date  
18 of this section, the board may issue temporary authorizations  
19 to applicants for licensing as a significant vendor, which  
20 may remain in effect until the shorter of 12 months after the  
21 date of issue or the date by which the board considers the  
22 subject application. Temporary authorizations may be renewed  
23 not more than once, upon a showing of good cause. Temporary  
24 authorization shall allow the applicant to engage in all of  
25 the functions of a fully licensed significant vendor for the  
26 duration of the temporary authorization.

27 (2) No temporary authorization may be issued unless:

28 (i) The applicant has submitted a complete license  
29 application.

30 (ii) The applicant agrees to pay the fee prescribed

1 in section 13B09 (relating to licensing fee) within 60  
2 days of issuance of the temporary authorization, which  
3 may be refundable in the event a permanent license is not  
4 issued. Failure to make timely payment shall result in  
5 revocation of the temporary authorization.

6 (iii) The bureau has stated that it has no objection  
7 to the issuance of a temporary authorization to the  
8 applicant.

9 (3) Within 45 days of the date that the bureau receives  
10 the completed application of an applicant for investigation,  
11 the bureau shall conduct a preliminary investigation of the  
12 applicant and any key interactive gaming employee of the  
13 applicant, which shall include:

14 (i) a criminal background investigation of the  
15 applicant and any key interactive gaming employee of the  
16 applicant; and

17 (ii) any investigation necessary to determine  
18 whether the applicant or any key interactive gaming  
19 employee of the applicant may fall within the scope of  
20 section 13B08 (relating to presumption of unsuitability).

21 (4) If the bureau's preliminary investigation discloses  
22 no material adverse information, then the bureau shall issue  
23 to the executive director a statement of no objection to the  
24 issuance of a temporary authorization to the applicant.

25 (5) If the bureau's preliminary investigation discloses  
26 material adverse information or if the bureau is unable to  
27 confirm that section 13B08 does not apply, it shall register  
28 an objection and no temporary authorization may be issued  
29 until the material concern is resolved or, if applicable,  
30 confirmation that section 13B08 does not apply is received.

1       (6) If the bureau's full investigation of an applicant  
2       discloses material adverse information, the temporary  
3       authorization of any applicant may be suspended or withdrawn  
4       upon a showing of cause by the bureau.

5       § 13B06. Board consideration of application.

6       (a) Suitability.--A holder, or an affiliate of a holder, of  
7       a slot machine license and table game operation certificate,  
8       whose license and certificate are in good standing, shall be  
9       considered suitable to be issued an interactive gaming license  
10      by the board without additional investigation, subject to the  
11      provisions of section 13B08 (relating to presumption of  
12      unsuitability).

13      (b) Significant vendors.--The board shall determine the  
14      suitability of any significant vendors, consistent with the  
15      requirements of this chapter.

16      (c) Qualifications.--A review of the suitability of a person  
17      to hold a license as a licensee or significant vendor shall  
18      include the review and determination of whether:

19              (1) The person possesses the requisite experience and  
20              skill to perform the functions consistent with the  
21              requirements of this chapter.

22              (2) The applicant is a person of good character, honesty  
23              and integrity.

24              (3) The applicant is a person whose prior activities,  
25              criminal record, if any, reputation, habits and associations  
26              do not:

27                      (i) pose a threat to the public interest or to the  
28                      effective regulation and control of interactive gaming;

29                      or

30                      (ii) create or enhance the dangers of unsuitable,

1 unfair or illegal practices, methods and activities in  
2 the conduct of interactive gaming or in the carrying on  
3 of the business and financial arrangements incidental to  
4 such gaming; and

5 (4) The applicant has disclosed to the board all known  
6 affiliations or relationships, whether direct or indirect,  
7 with persons and covered assets of persons described by  
8 section 13B08.

9 (d) Owners and key interactive gaming employees.--In  
10 connection with an application for a license as a licensee or  
11 significant vendor, the applicant shall identify and the board  
12 shall determine the suitability of an applicant's owners, chief  
13 executive officer, chief financial officer, any other officer  
14 whom the board deems significantly involved in the management or  
15 control of the applicant and all key interactive gaming  
16 employees.

17 (e) Brand transparency.--The board may not approve the  
18 application of any prospective licensee and shall suspend the  
19 license of any licensee if the licensee's Internet website  
20 through which authorized games are offered to customers in this  
21 Commonwealth or any interactive gaming skin with which the  
22 licensee is associated is identified by a brand or name that is  
23 not owned or controlled by the licensee or an affiliate of the  
24 licensee.

25 (f) Issuance of order.--The board shall issue an order  
26 granting or denying an application for a license as a licensee  
27 or significant vendor within 120 days of the date on which a  
28 properly completed application and any additional information  
29 that the board may require is filed. If the board approves an  
30 application, it may impose reasonable conditions of licensure



1 consistent with the requirements of this chapter.

2 § 13B07. Institutional investors.

3 (a) Declaration of investment intent.--

4 (1) An institutional investor holding less than 25% of  
5 the equity securities of a licensee's, significant vendor's  
6 or applicant's holding or intermediary companies, shall be  
7 granted a waiver of any investigation of suitability or other  
8 requirement if the securities are those of a corporation,  
9 whether publicly traded or privately held, and the holdings  
10 of the securities were purchased for investment purposes  
11 only. The institutional investor shall file a certified  
12 statement that it has no intention of influencing or  
13 affecting the affairs of the licensee, significant vendor,  
14 applicant or its holding or intermediary companies. However,  
15 an institutional investor shall be permitted to vote on  
16 matters put to the vote of the outstanding security holders.

17 (2) The board may grant a waiver to an institutional  
18 investor holding a higher percentage of such securities upon  
19 a showing of good cause and if the conditions specified in  
20 paragraph (1) are met.

21 (3) An institutional investor granted a waiver under  
22 this subsection who subsequently decides to influence or  
23 affect the affairs of the licensee, significant vendor or  
24 applicant's holding or intermediary company shall provide not  
25 less than 30 days' notice of such intent and shall file with  
26 the board a request for determination of suitability before  
27 taking any action that may influence or affect the affairs of  
28 the issuer. An institutional investor shall be permitted to  
29 vote on matters put to the vote of the outstanding security  
30 holders.

1       (4) If an institutional investor changes its investment  
2 intent or if the board finds reasonable cause to believe that  
3 the institutional investor may be found unsuitable, no action  
4 other than divestiture shall be taken by the institutional  
5 investor with respect to its security holdings until there  
6 has been compliance with any requirements established by the  
7 board, which may include the execution of a trust agreement.

8       (5) The licensee or significant vendor or applicant and  
9 its relevant holding, intermediary or subsidiary company  
10 shall notify the board immediately of any information about,  
11 or actions of, an institutional investor holding its equity  
12 securities where such information or action may impact the  
13 eligibility of the institutional investor for a waiver  
14 pursuant to this subsection.

15 (b) Failure to declare.--If the board finds:

16       (1) that an institutional investor holding any security  
17 of a holding or intermediary company of a licensee or  
18 significant vendor or applicant or, where relevant, of  
19 another subsidiary company of a holding or intermediary  
20 company of a licensee or significant vendor or applicant  
21 which is related in any way to the financing of the licensee  
22 or significant vendor or applicant, fails to comply with the  
23 provisions of subsection (a); or

24       (2) by reason of the extent or nature of its holdings,  
25 an institutional investor is in a position to exercise such a  
26 substantial impact upon the controlling interests of a  
27 licensee or significant vendor or applicant that  
28 investigation and determination of suitability of the  
29 institutional investor is necessary to protect the public  
30 interest;

1 then the board may take any necessary action otherwise  
2 authorized under this chapter to protect the public interest.  
3 § 13B08. Presumption of unsuitability.

4 (a) General rule.--The board may not issue a license to or  
5 otherwise find suitable any prospective licensee or significant  
6 vendor, or key interactive gaming employee of a licensee or  
7 significant vender, who has:

8 (1) At any time, either directly or through a third  
9 party whom it controlled or owned in whole or in significant  
10 part, knowingly or willfully:

11 (i) accepted or made available wagers on interactive  
12 games using the Internet from persons located in the  
13 United States after December 31, 2006, unless licensed by  
14 a Federal or state authority to engage in such activity;  
15 or

16 (ii) facilitated or otherwise provided services with  
17 respect to wagers or interactive games using the Internet  
18 involving persons located in the United States for a  
19 person described in subparagraph (i), if such activities  
20 or services would cause such person to be considered a  
21 significant vendor if those activities or services were  
22 provided with respect to interactive games pursuant to  
23 this chapter, and if such person acted with knowledge of  
24 the fact that such wagers or interactive games involved  
25 persons located in the United States.

26 (2) Purchased or acquired, directly or indirectly, in  
27 whole or in significant part, a third party described in  
28 paragraph (1) or will use that third party or a covered asset  
29 in connection with interactive gaming.

30 (b) Appeal procedures.--A prospective licensee, significant

1 vendor or key interactive gaming employee may appeal a  
2 determination by the board that it is within the scope of  
3 subsection (a) only in accordance with the following procedures:

4 (1) The board shall afford the prospective licensee or  
5 significant vendor a hearing at which such person may provide  
6 evidence to support the basis on which it seeks relief.

7 (2) The prospective licensee or significant vendor must  
8 demonstrate by a preponderance of the evidence that:

9 (i) its conduct in connection with interactive games  
10 and wagers involving persons located in the United States  
11 was not unlawful; and

12 (ii) if applicable, the covered assets to be used or  
13 that are being used by such person in connection with  
14 interactive gaming were not used in a manner that was  
15 unlawful, in each case under Federal law and the laws of  
16 each state in which persons making the wagers or playing  
17 the games were located.

18 (3) The determination of the board shall be made without  
19 regard to whether the person has been prosecuted under the  
20 criminal laws of any state, the United States or other  
21 jurisdiction or has been prosecuted and the proceeding  
22 terminated in a manner other than with a conviction.

23 (4) If the prohibition is waived, the prospective  
24 licensee or significant vendor shall satisfy all otherwise  
25 applicable license and suitability requirements.

26 § 13B09. Licensing fee.

27 If the board grants an application under section 13B05  
28 (relating to application for license) within 60 days of entry of  
29 the board's order, the successful applicant shall pay a  
30 licensing fee of \$5,000,000 if a licensee or ????, if a

1 significant vendor.

2 § 13B10. Accounting and operational internal controls.

3 Each interactive gaming license applicant shall submit to the  
4 board and department, in such manner as the board shall require,  
5 a description of its administrative and accounting procedures in  
6 detail, including its written system of internal control. In  
7 addition to other such standards that the board, in its  
8 discretion, may choose to require, the board shall require  
9 licensees to implement appropriate safeguards:

10 (1) To ensure, to a reasonable degree of certainty, that  
11 authorized participants are not less than 21 years of age.

12 (2) To ensure, to a reasonable degree of certainty, that  
13 authorized participants are physically located within this  
14 Commonwealth or such other jurisdiction that is permissible  
15 under this chapter.

16 (3) To protect, to a reasonable degree of certainty, the  
17 privacy and online security of authorized participants.

18 (4) To ensure, to a reasonable degree of certainty, that  
19 the interactive games are fair and honest and that  
20 appropriate measures are in place to deter, detect and, to  
21 the extent reasonably possible, to prevent cheating,  
22 including collusion, and use of cheating devices, including  
23 the use of software programs, sometimes referred to as  
24 "bots," that make bets or wagers according to algorithms.

25 (5) To minimize compulsive gambling and to provide  
26 notice to authorized participants of resources to help  
27 problem gamblers.

28 (6) To ensure authorized participants' funds are held in  
29 accounts segregated from the funds of licensees and otherwise  
30 are protected from corporate insolvency, financial risk or

1 criminal or civil actions against the licensee.

2 § 13B11. Interactive gaming tax.

3 (a) Weekly taxation.--Each licensee shall report to the  
4 department and pay from its daily gross interactive gaming  
5 revenue, on a form and in a manner prescribed by the department,  
6 a tax of 14% of its daily gross interactive gaming revenue,  
7 which shall be payable to the department on a weekly basis and  
8 shall be based upon gross interactive gaming revenue for the  
9 previous week.

10 (b) Taxes on out-of-State wagering.--The tax rate which  
11 shall be assessed and collected by the department with respect  
12 to any wagers placed by residents of this Commonwealth with an  
13 interactive gaming operator outside of this Commonwealth, but  
14 authorized pursuant to an interactive gaming agreement shall be  
15 governed by the agreement but may not exceed 14% of gross  
16 interactive gaming revenue derived from residents of this  
17 Commonwealth.

18 (c) Taxes held in trust.--All funds owed to the Commonwealth  
19 under this section shall be held in trust for the Commonwealth  
20 by the licensee until the funds are paid to the department.  
21 Unless otherwise agreed to by the board, a licensee shall  
22 establish a separate bank account into which such funds shall be  
23 deposited and maintained until paid to the department.

24 (d) Federal presumption.--In the event Federal law  
25 authorizes interactive gaming which establishes a tax based on  
26 gross interactive gaming revenue, deposits or the substantial  
27 equivalent of or intended substitute for either of them, of  
28 which a portion is allocated to the states, that tax shall  
29 supersede, in its entirety, the tax imposed by this section.

30 § 13B12. Prohibition on Internet cafes.

1 (a) General rule.--No organization or commercial enterprise,  
2 other than a licensee, shall operate a place of public  
3 accommodation, club, including a club or association limited to  
4 dues-paying members or similar restricted groups, or similar  
5 establishment in which computer terminals or similar access  
6 devices are advertised or made available to be used principally  
7 for the purpose of accessing interactive games.

8 (b) Construction.--Nothing in this section shall be  
9 construed to require the owner or operator of a hotel or motel  
10 or other public place of general use in this Commonwealth to  
11 prohibit or block guests from playing interactive games.

12 § 13B13. Testing of hardware, software and equipment.

13 (a) Testing by the board.--The board may expand its testing  
14 facility, utilize the services of a private testing facility or  
15 adopt the testing and certification standards of another  
16 jurisdiction and may approve computer hardware, software or  
17 associated equipment based on the prior approval of a private  
18 testing facility or of another jurisdiction whose standards the  
19 board reasonably determines are adequate and comparable to those  
20 required by this part. Costs associated with the expansion of  
21 its own testing facility shall be assessed on significant  
22 vendors licensed to provide interactive gaming platforms.

23 (b) Approval.--

24 (1) No interactive gaming platform may be utilized by a  
25 licensee unless approved by the board or its testing and  
26 certification facility under this section. The board shall  
27 not approve an interactive gaming platform unless the  
28 platform is subject to the control, and is the ultimate  
29 responsibility, of the licensee.

30 (2) This subsection shall not be construed to prohibit a

1 licensee from licensing use or delegating daily operation of  
2 the interactive gaming platform from or to a significant  
3 vendor.

4 § 13B14. Expanded compulsive and problem gambling programs.

5 (a) Expanded programs.--

6 (1) The board and the Department of Health shall jointly  
7 develop expanded programs to address compulsive and problem  
8 gambling issues relating to interactive gaming.

9 (2) Licensees shall address compulsive and problem  
10 gambling issues in the context of interactive gaming in their  
11 respective compulsive and problem gambling plans on file with  
12 the board.

13 (b) Message.--Licensees shall permanently and continuously  
14 display the following message to persons at the time of logging  
15 on to the Internet websites of the licensees or any interactive  
16 gaming skin:

17 If you or someone you know has a gambling problem and  
18 wants help, call 1-800-GAMBLER.

19 § 13B15. Application of other provisions of this part.

20 The following sections of this part, which are expressly  
21 applicable to the conduct or operation of slot machines or table  
22 games, are also deemed applicable to interactive gaming under  
23 this chapter:

24 (1) The board's power and duty to require the licensees  
25 prohibit persons under 21 years of age from playing  
26 interactive games under section 1207(8) (relating to  
27 regulatory authority of board).

28 (2) The obligation to include information on interactive  
29 gaming in the board's annual report under section 1211(a.1)  
30 (relating to reports of board).



1           (3) The procedures, parameters and time frames for  
2 promulgating temporary regulations under section 13A03(a) and  
3 (b) (relating to temporary table game regulations).

4           (4) Manufacturing licensing requirements pursuant to  
5 section 1317.1 (relating to manufacturer licenses).

6           (5) Gaming service provider requirements pursuant to  
7 section 1317.2 (relating to gaming service provider).

8           (6) Permit renewal requirements pursuant to section 1326  
9 (relating to license renewals).

10           (7) Section 1402 (relating to gross terminal revenue  
11 deductions), except that recovery of the costs and expenses  
12 of regulating interactive gaming under this chapter shall be  
13 limited to 1% of gross interactive gaming revenue.

14           (8) The declaration that it shall be unlawful for an  
15 individual under 21 years of age to wager, play or attempt to  
16 play an interactive game under section 1518(a) (13.1)  
17 (relating to prohibited acts; penalties).

18 Section 2. This act shall take effect in 60 days.