

SUMMARY ANALYSIS OF AMENDED BILL

Author: Gray, et al. Analyst: Diane Deatherage Bill Number: AB 1437
Related Bills: See Prior Telephone: 845-4783 Amended Date June 21, 2016
Analysis Attorney: Bruce Langston Sponsor: _____

SUBJECT: Internet Fantasy Sports Games Consumer Protection Act/Licensed Operators Shall Facilitate Collection of Personal Income Tax by the FTB

SUMMARY

This bill would, under the Business and Professions Code, establish the Internet Fantasy Sports Game Protection Act and would modify provisions of the Penal Code.

This analysis only addresses the provisions of the bill that impact the department’s programs and operations, but provides a high-level summary in the “This Bill” section.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The June 21, 2016, amendments added urgency language, modified provisions related to definitions and requirements applicable to licensed operators, and made other non-substantive changes.

Except for the “Effective/Operative Date,” “This Bill,” and “Support/Opposition” sections, the remainder of the department's analysis of the bill as amended on September 10, 2015, and January 12, 2016, still applies. The “Implementation Considerations,” “Fiscal Impact,” and “Economic Impact” sections have been restated below for convenience.

EFFECTIVE/OPERATIVE DATE

As an urgency measure, this bill would be effective and operative immediately upon enactment.

THIS BILL

This bill would establish the Internet Fantasy Sports Games Consumer Protection Act (Act).

Licensed Operators/Registered Players

The Act would require a person or entity to apply for and receive a license to operate an authorized Internet Web site from the Department of Justice (DOJ) as specified, prior to offering an Internet fantasy sports game for play in California.

“Internet fantasy sports game” would mean a game of any duration conducted on the Internet in which a registered player does all of the following:

- Competes against other registered players or a target score as the owner or manager of an imaginary or simulated team of professional athletes in an imaginary or simulated game.
- Uses the statistics accumulated by the professional athletes in real-world professional sporting events to determine the scores of the imaginary or simulated game.
- Plays for a predetermined prize.
- Pays a charge to the licensed operator providing the game in order to participate.

In order to ensure the protection of registered players, an authorized Internet Web site would identify the person or entity that is the licensed operator. A licensed operator would ensure that an Internet fantasy sports game on its authorized Internet Web site complies with certain requirements. In addition, the licensed operator would be subject to requirements specified in the bill relating to holding funds of a registered player, issuing credit, the number of accounts or user names that could be established, and advertising. A “licensed operator” would mean a person or entity licensed to offer Internet fantasy sports games for play on an authorized Internet Web site. An “authorized Internet Web site” would mean an Internet Web site operated by a licensed operator.

A person would be required to register with a licensed operator prior to participating in an Internet fantasy sports game on an authorized Internet Web site. The licensed operator would be required to ensure that a registered player is eligible to play on an authorized Internet Web site, and implement appropriate data security standards to prevent access by a person whose age and location have not been verified. The DOJ may assess a civil penalty against a licensed operator that violates the verification requirements. The DOJ would be required, by regulation, to provide a process for a licensed operator to exclude from play any person who had filled out an online self-exclusion form.

Collection of Taxes

A licensed operator would be required to facilitate the collection by the Franchise Tax Board (FTB) of personal income taxes from registered players and would be responsible for providing current and accurate documentation on a timely basis to all state agencies.

The state and its agencies would be required to treat the proprietary information provided by a licensed operator as confidential. Proprietary information supplied by a licensed operator to a state agency would be exempt from public disclosure.

Fees and Financial Provisions

This bill would create the Fantasy Sports Fund in the State Treasury, administered by the DOJ. Each licensed operator would pay an annual regulatory fee, to be deposited in the Fantasy Sports Fund, in an amount to be determined by the DOJ, for the reasonable costs of license oversight, consumer protections, state regulation, problem gambling programs, and other regulatory purposes.

Prior to operating its authorized Internet Web site, a licensed operator would remit to the Treasurer a one-time license fee in the amount of \$_____ to be deposited into the General Fund and credited against the annual regulation fee. Upon depletion of the license fee balance, the DOJ would notify the licensed operator to begin quarterly payments to the state.

In consideration of the substantial value of each license, a licensed operator would remit to the Treasurer on a quarterly basis for deposit in the General Fund an amount equal to _____ percent of its gross income that is attributable to the operation of an authorized Internet Web site in California.

IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concern. Department staff is available to work with the author's office to resolve this and other concerns that may be identified.

The bill provides that a licensed operator would facilitate the collection by the FTB of personal income taxes from registered players and would be responsible for providing current and accurate documentation on a timely basis to all state agencies. It is unclear what is meant by "facilitate the collection by the FTB of personal income taxes." The author should amend the bill to provide clarity on this provision.

FISCAL IMPACT

Department staff is unable to determine the costs to administer this bill until the implementation concern has been resolved.

ECONOMIC IMPACT

Revenue Estimate

This bill would not impact state income or franchise tax revenue.

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

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