

**SUBSTITUTE FOR
HOUSE BILL NO. 4311**

A bill to create the lawful internet gaming act; to require licensure for persons to offer internet gaming; to impose requirements for internet gaming; to provide for the powers and duties of the Michigan gaming control board and other state and local 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 illegally.

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) "Adjusted gross receipts" means the total value of all
24 internet wagers received by an internet gaming operator under this
25 act less winnings and voided wagers.

26 (b) "Affiliate" means a person that, directly or indirectly,
27 through 1 or more intermediaries, controls or is controlled by an
28 internet gaming operator.

29 (c) "Applicant" means a person that applies for a license or



1 for registration under this act. As used in section 6(2), applicant
2 includes an affiliate, director, or managerial employee of the
3 applicant that performs the function of principal executive
4 officer, principal operations officer, or principal accounting
5 officer, or a person who holds more than 5% ownership interest in
6 the applicant. As used in this subdivision, affiliate does not
7 include a partnership, a joint venture, a co-shareholder of a
8 corporation, a co-member of a limited liability company, or a co-
9 partner in a limited liability partnership that has 5% or less
10 ownership interest in the applicant and is not involved in the
11 internet gaming operation.

12 (d) "Authorized participant" means an individual who has a
13 valid internet wagering account with an internet gaming operator
14 and is 21 years of age or older.

15 (e) "Board" means the Michigan gaming control board created
16 under section 4 of the Michigan Gaming Control and Revenue Act,
17 1996 IL 1, MCL 432.204.

18 (f) "Casino" means a building or buildings in which gaming is
19 lawfully conducted under the Michigan Gaming Control and Revenue
20 Act, 1996 IL 1, MCL 432.201 to 432.226, or in which class III
21 gaming is lawfully conducted by an Indian tribe in this state under
22 a facility license issued in accordance with a tribal gaming
23 ordinance approved by the chair of the National Indian Gaming
24 Commission.

25 (g) "Class II gaming" means that term as defined in 25 USC
26 2703.

27 (h) "Class III gaming" means that term as defined in 25 USC
28 2703.

29 (i) "Compact" means a tribal-state compact governing the



1 conduct of gaming activities that is negotiated under the Indian
2 gaming regulatory act, Public Law 100-497, 102 Stat 2467.

3 (j) "Fantasy contest" means a simulated game or contest with
4 an entry fee that meets all of the following conditions:

5 (i) No fantasy contest team is composed of the entire roster of
6 a real world sports team.

7 (ii) No fantasy contest team is composed entirely of individual
8 athletes who are members of the same real world sports team.

9 (iii) Each prize and award or the value of all prizes and awards
10 offered to winning fantasy contest players is made known to the
11 fantasy contest players in advance of the fantasy contest.

12 (iv) Each winning outcome reflects the relative knowledge and
13 skill of the fantasy contest players and are determined by the
14 aggregated statistical results of the performance of multiple
15 individual athletes selected by the fantasy contest player to form
16 the fantasy contest team, whose individual performances in the
17 fantasy contest directly correspond with the actual performance of
18 those athletes in the athletic event in which those individual
19 athletes participated.

20 (v) A winning outcome is not based on randomized or historical
21 events, or on the score, point spread, or performance in an
22 athletic event of a single real-world sports team, a single
23 athlete, or any combination of real-world sports teams.

24 (vi) The fantasy contest does not constitute or involve and is
25 not based on any of the following:

26 (A) Racing involving animals.

27 (B) A game or contest ordinarily offered by a horse track or
28 casino for money, credit, or any representative of value, including
29 any races, games, or contests involving horses, or that are played



1 with cards or dice.

2 (C) A slot machine or other mechanical, electromechanical, or
3 electric device, equipment, or machine, including computers and
4 other cashless wagering systems.

5 (D) Any other game or device authorized by the board under the
6 Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.201 to
7 432.226.

8 (k) "Fund" means the internet gaming fund created under
9 section 16.

10 (l) "Indian lands" means that term as defined in 25 USC 2703.

11 (m) "Indian tribe" means that term as defined in 25 USC 2703
12 and any instrumentality, political subdivision, or other legal
13 entity through which an Indian tribe operates its existing casino
14 in this state.

15 (n) "Institutional investor" means a person that is any of the
16 following:

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

19 (ii) An employee benefit plan or pension fund that is subject
20 to the employee retirement income security act of 1974, Public Law
21 93-406.

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

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

26 (v) A closed end investment trust.

27 (vi) A chartered or licensed life insurance company or
28 property and casualty insurance company.

29 (vii) A chartered or licensed financial institution.



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

3 (ix) Any other person that the board determines through
4 rulemaking should be considered to be an institutional investor for
5 reasons consistent with this act.

6 (o) "Internet" means the international computer network of
7 interoperable packet-switched data networks, inclusive of such
8 additional technological platforms as mobile, satellite, and other
9 electronic distribution channels.

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

21 (q) "Internet gaming" means operating, conducting, or offering
22 for play an internet game.

23 (r) "Internet gaming operator" means a person that is issued
24 an internet gaming operator license from the board.

25 (s) "Internet gaming operator license" means a license issued
26 by the board to a person to operate, conduct, or offer internet
27 gaming.

28 (t) "Internet gaming platform" means an integrated system of
29 hardware, software, applications, including mobile applications,



1 and servers through which an internet gaming operator operates,
2 conducts, or offers internet gaming.

3 (u) "Internet gaming supplier" means a person that the board
4 has identified as requiring a license to provide goods, software,
5 or services to an internet gaming operator that directly affect
6 wagering, play, and results of internet games offered under this
7 act, including goods, software, or services necessary to the
8 acceptance, operation, administration, or control of internet
9 wagers, internet games, internet wagering accounts, or internet
10 gaming platforms. Internet gaming supplier includes, but is not
11 limited to, payment processors, geolocation service providers,
12 internet gaming platform providers, and data providers. Internet
13 gaming supplier does not include a person that provides to an
14 internet gaming operator only the goods, software, and services
15 that it also provides to others for a purpose that does not involve
16 internet gaming.

17 (v) "Internet gaming supplier license" means a license issued
18 by the board to an internet gaming supplier.

19 (w) "Internet wager" means money or something of monetary
20 value risked on an internet game.

21 (x) "Internet wagering" means risking money or something of
22 monetary value on an internet game.

23 (y) "Internet wagering account" means an electronic ledger in
24 which all of the following types of transactions relative to an
25 authorized participant are recorded:

26 (i) Deposits and credits.

27 (ii) Withdrawals.

28 (iii) Internet wagers.

29 (iv) Monetary value of winnings.



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

3 (vi) Adjustments to the account.

4 (z) "Mobile application" means an application on a mobile
5 phone or other device through which an individual is able to place
6 an internet wager.

7 (aa) "Person" means an individual, partnership, corporation,
8 association, limited liability company, federally recognized Indian
9 tribe, or other legal entity.

10 (bb) "Prizes" includes both monetary and nonmonetary prizes
11 received directly or indirectly by an authorized participant from
12 an internet gaming operator as a result of internet wagering. The
13 value of a nonmonetary prize is the actual cost of the prize.

14 (cc) "Vendor" means a person that is not licensed under this
15 act that supplies to an internet gaming operator goods or services
16 used to operate, conduct, or offer internet gaming.

17 (dd) "Winnings" includes all of the following:

18 (i) The total monetary value of prizes received by authorized
19 participants.

20 (ii) Stakes returned to authorized participants.

21 (iii) Other amounts credited to authorized participants'
22 internet wagering accounts, and redeemed by authorized
23 participants, including the monetary value of loyalty points,
24 freeplay, and other similar complimentaries and redeemable internet
25 gaming credits, and other things of value provided to authorized
26 participants as an incentive to place or as a result of their
27 having placed internet wagers.

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



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

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

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

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

12 (b) Class II and Class III gaming conducted exclusively on
13 Indian lands by an Indian tribe under a facility license issued in
14 accordance with a tribal gaming ordinance approved by the chair of
15 the National Indian Gaming Commission. For purposes of this
16 subdivision, gaming is conducted exclusively on Indian lands only
17 if the individual who places the wager is physically present on
18 Indian lands when the wager is initiated and the wager is received
19 or otherwise made on equipment that is physically located on Indian
20 lands, and the wager is initiated, received, or otherwise made in
21 conformity with the safe harbor requirements described in 31 USC
22 5362(10)(C).

23 (c) A fantasy contest.

24 (d) Any lawful internet sports betting.

25 (5) A person shall not provide or make available computers or
26 other internet access devices in a place of public accommodation in
27 this state, including a club or other association, to enable
28 individuals to place internet wagers or play an internet game. The
29 prohibition under this subsection does not apply to an internet



1 gaming operator aggregating, providing, or making available
2 computers or other internet access devices at its own casino.

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

8 (7) An internet gaming operator may offer internet gaming
9 under a maximum of 2 separate brands, 1 for each of interactive
10 poker and other casino style games. This subsection does not
11 prohibit an internet gaming operator from using fewer than 2 brands
12 or from using a single brand to offer any combination of
13 interactive poker or other casino style games. All websites and
14 corresponding applications used to offer internet gaming must
15 clearly display the internet gaming operator or its affiliate. The
16 internet gaming operator may also elect, in its sole discretion, to
17 have the brand of each internet gaming platform that it utilizes be
18 the name and logos or no more than 1 internet gaming supplier if
19 the internet gaming platform also clearly displays the internet
20 gaming operator's own trademarks and logos of those of an
21 affiliate.

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

26 (2) The board has jurisdiction over every person licensed by
27 the board and may take enforcement action against a person that is
28 not licensed by the board that offers internet gaming in this
29 state.



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

7 Sec. 6. (1) The board may issue an internet gaming operator
8 license 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 board shall issue an internet gaming operator license
16 to an 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 board 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 board must not
26 be arbitrary, capricious, or contradictory to the express
27 provisions of this act. In evaluating the eligibility and
28 suitability of an applicant under the standards provided in this
29 act, the board shall establish and apply the standards to each



1 applicant in a consistent and uniform manner. In determining
2 whether to grant an internet gaming operator license to an
3 applicant, the board may request from the applicant and consider as
4 a factor in the determination any or all of the following
5 information:

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

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

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

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

23 (e) Whether the applicant has been indicted for, charged with,
24 arrested for, or convicted of, pleaded guilty or nolo contendere
25 to, forfeited bail concerning, or had expunged any criminal offense
26 under the laws of any jurisdiction, either felony or misdemeanor,
27 not including traffic violations, regardless of whether the offense
28 has been expunged, pardoned, or reversed on appeal or otherwise.
29 The board may consider mitigating factors, and, for an applicant



1 described in subsection (1)(b), shall give deference to whether the
2 applicant has otherwise met the requirements of the applicant's
3 gaming compact for licensure, as applicable.

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

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

13 (h) Whether at the time of application the applicant is a
14 defendant in litigation involving the integrity of its business
15 practices.

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

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

26 (5) A person described in subsection (1)(b) may apply to the
27 board for an internet gaming operator license to offer internet
28 gaming as provided in this act. The application must be made on
29 forms provided by the board that require only the following



1 information:

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

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

6 (c) Detailed information about the primary management
7 officials of the applicant's casinos who will have management
8 responsibility for the applicant's internet gaming operations. As
9 used in this subdivision, "primary management official" does not
10 include an elected or appointed representative of the applicant
11 unless the representative is also a full-time employee of the
12 applicant's internet gaming operations.

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

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

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

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

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

24 (6) An initial application for an internet gaming operator
25 license must be accompanied by an application fee of \$50,000.00.
26 The rules promulgated under section 10 may include provisions for
27 the refund of an application fee, or the portion of an application
28 fee that has not been expended by the board in processing the
29 application, and the circumstances under which the fee will be



1 refunded. The board may assess additional fees for the costs
2 related to the licensure investigation.

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

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

15 (9) An internet gaming operator shall pay a license fee of
16 \$100,000.00 to the board at the time the initial internet gaming
17 operator license is issued and \$50,000.00 each year after the
18 initial license is issued.

19 (10) The board shall deposit all application and license fees
20 paid under this section into the fund.

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

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

28 (a) The person complies with this act, rules promulgated by
29 the board, and minimum internal controls pertaining to all of the



1 following:

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

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

9 (iii) Procedures and requirements for the acceptance of internet
10 wagers initiated or otherwise made by individuals located in other
11 jurisdictions, if the board authorizes multijurisdictional gaming
12 as provided in this act.

13 (iv) The requirements set forth in section 11.

14 (b) The person adopts and maintains technical standards for
15 internet gaming platforms, systems, and software that are
16 consistent with the standards adopted by the board under section
17 10.

18 (c) The person maintains 1 or more mechanisms on the internet
19 gaming platform that are designed to reasonably verify that an
20 authorized participant is 21 years of age or older and that
21 internet wagering is limited to transactions that are initiated and
22 received or otherwise made by an authorized participant located in
23 this state or, if the board authorizes multijurisdictional internet
24 gaming as provided in this act, another jurisdiction in the United
25 States authorized by the multijurisdictional agreement.

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

28 (e) The person continues to maintain and operate in this state
29 a casino offering class III gaming and the casino contains not less



1 than 50% of the gaming positions that were in place on the
2 effective date of this act.

3 (f) The person, within the time period described in section
4 14(3), makes payments, to be allocated as outlined in section 15a,
5 based on a percentage of the adjusted gross receipts received by
6 the person from all internet gaming it conducts under this act as
7 an internet gaming operator, as set forth below:

8 (i) For the first 3 years of internet gaming operations:

9 (A) For adjusted gross receipts less than \$4,000,000.00, 4%.

10 (B) For adjusted gross receipts of \$4,000,000.00 or more but
11 less than \$8,000,000.00, 6%.

12 (C) For adjusted gross receipts of \$8,000,000.00 or more but
13 less than \$10,000,000.00, 8%.

14 (D) For adjusted gross receipts of \$10,000,000.00 or more but
15 less than \$12,000,000.00, 10%.

16 (E) For adjusted gross receipts of \$12,000,000.00 or more,
17 19%.

18 (ii) For the fourth year of internet gaming operations:

19 (A) For adjusted gross receipts less than \$4,000,000.00, 6%.

20 (B) For adjusted gross receipts of \$4,000,000.00 or more but
21 less than \$8,000,000.00, 8%.

22 (C) For adjusted gross receipts of \$8,000,000.00 or more but
23 less than \$10,000,000.00, 10%.

24 (D) For adjusted gross receipts of \$10,000,000.00 or more but
25 less than \$12,000,000.00, 12%.

26 (E) For adjusted gross receipts of \$12,000,000.00 or more,
27 21%.

28 (iii) For each year after the first 4 years of internet gaming
29 operations:



1 (A) For adjusted gross receipts less than \$4,000,000.00, 8%.

2 (B) For adjusted gross receipts of \$4,000,000.00 or more but
3 less than \$8,000,000.00, 10%.

4 (C) For adjusted gross receipts of \$8,000,000.00 or more but
5 less than \$10,000,000.00, 12%.

6 (D) For adjusted gross receipts of \$10,000,000.00 or more but
7 less than \$12,000,000.00, 14%.

8 (E) For adjusted gross receipts of \$12,000,000.00 or more,
9 23%.

10 (g) The person agrees to provide and timely provides, on
11 written request of the board, books and records directly related to
12 its internet gaming operations for the purpose of permitting the
13 board to verify the calculation of the payments under subdivision
14 (f).

15 (h) The person provides a waiver of sovereign immunity to the
16 board for the sole and limited purpose of consenting to both of the
17 following:

18 (i) The jurisdiction of the board to the extent necessary and
19 for the limited purpose of providing a mechanism for the board to
20 do all of the following:

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

23 (B) Enforce the payment obligations set forth in this section
24 and section 14.

25 (C) Regulate the person under and enforce sections 10(a), (b),
26 (d) to (g), 11, 12(4) and (5), and 13.

27 (D) Inspect the person's internet gaming operation and records
28 to verify that the person is conducting its internet gaming
29 operation in conformity with this act.



1 (E) Assess fines or monetary penalties for violations under
2 this act.

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

5 (ii) The jurisdiction of the courts of this state, and
6 expressly waiving the exhaustion of tribal remedies, with venue in
7 Ingham County, and any courts to which appeals from that venue may
8 be taken, to permit this state to enforce administrative orders of
9 the board, the person's obligation to make payments required under
10 subdivision (f) and collection of any judgment. Any judgment of
11 monetary damages under this subparagraph is deemed limited recourse
12 obligations of the person and does not impair any trust or
13 restricted income or assets of the person.

14 (2) This state, acting through the governor, at the request of
15 any Indian tribe, shall negotiate and may conclude and execute any
16 amendments to an Indian tribe's compact necessary to effectuate
17 internet gaming by the Indian tribe under this act and to ensure
18 internet gaming conducted by the Indian tribe is in compliance with
19 this act and any applicable federal laws. If the governor fails to
20 enter into negotiations with the Indian tribe, or fails to
21 negotiate in good faith with respect to the request, this state
22 waives its sovereign immunity to permit the Indian tribe to
23 initiate an action against the governor in his or her official
24 capacity in either state court or in federal court and obtain those
25 remedies as authorized in 25 USC 2710(d)(7).

26 (3) The board must exercise its limited direct regulatory and
27 enforcement authority in a manner that is not arbitrary,
28 capricious, or contradictory to this act. Notwithstanding anything
29 in this act to the contrary, this act only regulates internet



1 gaming as provided in this act and does not extend to the board, or
2 any other agency of this state, any jurisdiction or regulatory
3 authority over any aspect of any gaming operations of an Indian
4 tribe described in section 4(4)(b) beyond those rights granted to
5 this state under the compact with the Indian tribe.

6 Sec. 8. (1) The board may issue an internet gaming supplier
7 license to an internet gaming supplier. A person that is not
8 licensed under this section shall not provide goods, software, or
9 services as an internet gaming supplier to an internet gaming
10 operator.

11 (2) On application by an interested person, the board may
12 issue a provisional internet gaming supplier license to an
13 applicant for an internet gaming supplier license. A provisional
14 license issued under this subsection allows the applicant for the
15 internet gaming supplier license to conduct business with an
16 internet gaming operator before the internet gaming supplier
17 license is issued to the applicant. A provisional license issued
18 under this subsection expires on the date provided by the board.

19 (3) An internet gaming supplier license issued under
20 subsection (1) is valid for the 5-year period after the date of
21 issuance. An internet gaming supplier license is renewable after
22 the initial 5-year period for additional 5-year periods if the
23 board determines that the internet gaming supplier continues to
24 meet the eligibility and suitability standards under this act.

25 (4) A person may apply to the board for an internet gaming
26 supplier license as provided in this act and the rules promulgated
27 under this act.

28 (5) Except as otherwise provided in this section, an
29 application under this section must be made on forms provided by



1 the board and include the information required by the board. The
2 board shall not require an Indian tribe to submit an application
3 under this section that includes more than the information
4 described in section 6(5).

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

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

17 (8) An internet gaming supplier shall pay a license fee of
18 \$5,000.00 to the board at the time an initial internet gaming
19 supplier license is issued to the internet gaming supplier and
20 \$2,500.00 each year after the initial license is issued.

21 (9) The board shall deposit all application and license fees
22 paid under this section into the fund.

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

26 Sec. 9. (1) The board has jurisdiction over and shall
27 supervise all internet gaming operations governed by this act. The
28 board may do anything necessary or desirable to effectuate this
29 act, including, but not limited to, all of the following:



1 (a) Develop qualifications, standards, and procedures for
2 approval and licensure by the board of internet gaming operators
3 and internet gaming suppliers.

4 (b) Decide promptly and in reasonable order all license
5 applications and approve, deny, suspend, revoke, restrict, or
6 refuse to renew internet gaming operator licenses and internet
7 gaming supplier licenses. A party aggrieved by an action of the
8 board denying, suspending, revoking, restricting, or refusing to
9 renew a license may request a contested case hearing before the
10 board under the administrative procedures act of 1969, 1969 PA 306,
11 MCL 24.201 to 24.328. A request for hearing under this subdivision
12 must be made to the board in writing within 21 days after service
13 of notice of the action by the board.

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

16 (d) Provide for the establishment and collection of all
17 applicable license fees, taxes, and payments imposed by this act
18 and the rules promulgated under this act and the deposit of the
19 applicable fees, taxes, and payments into the fund.

20 (e) Develop and enforce testing and auditing requirements for
21 internet gaming platforms, internet wagering, and internet wagering
22 accounts.

23 (f) Develop and enforce requirements for responsible gaming
24 and player protection, including privacy and confidentiality
25 standards and duties.

26 (g) Develop and enforce requirements for accepting internet
27 wagers.

28 (h) Adopt by rule a code of conduct governing supplier
29 employees that ensures, to the maximum extent possible, that



1 persons subject to this act avoid situations, relationships, or
2 associations that may represent or lead to an actual or perceived
3 conflict of interest.

4 (i) Develop and administer civil fines for internet gaming
5 operators and internet gaming suppliers that violate this act or
6 the rules promulgated under this act.

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

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

15 (i) Computer hardware.

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

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

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

23 (3) The board shall keep all information, records, interviews,
24 reports, statements, memoranda, and other data supplied to or used
25 by the board in the course of any investigation of a person
26 licensed under this act confidential and shall use that material
27 only for investigative purposes. The materials described in this
28 subsection are exempt from disclosure under section 13 of the
29 freedom of information act, 1976 PA 442, MCL 15.243.



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

8 (a) The types of internet games to be offered, which must
9 include, but need not be limited to, poker, blackjack, cards,
10 slots, and other games typically offered at a casino, but does not
11 include pick numbers games offered by the bureau of lottery under
12 the McCauley-Traxler-Law-Bowman-McNeely lottery act, 1972 PA 239,
13 MCL 432.1 to 432.47.

14 (b) The qualifications, standards, and procedures for approval
15 and licensure by the board for internet gaming operators and
16 internet gaming suppliers consistent with this act.

17 (c) Requirements to ensure responsible gaming.

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

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

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

29 (g) Procedures and requirements for the acceptance, by an



1 internet gaming operator, of internet wagers initiated or otherwise
2 made by persons located in other jurisdictions, if the board
3 authorizes multijurisdictional gaming as provided in this act.

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

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

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

26 (4) An internet gaming operator, or an internet gaming
27 supplier providing its internet gaming platform, shall not
28 knowingly authorize any of the following individuals to establish
29 an internet wagering account or knowingly allow them to wager on



1 internet games offered by the internet gaming operator, except if
2 required and authorized by the board for testing purposes or to
3 otherwise fulfill the purposes of this act:

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

5 (b) An individual whose name appears in the board's
6 responsible gaming database.

7 (5) An internet gaming operator shall display, or shall
8 require the internet gaming supplier providing its internet gaming
9 platform to display, in a clear, conspicuous, and accessible
10 manner, evidence of the internet gaming operator's internet gaming
11 license issued under this act.

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

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

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

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

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



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

3 (3) An internet gaming operator, in a format specified by the
4 board, may provide the board 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 supplier providing its internet gaming platform to display,
8 on the internet gaming platform used by the internet gaming
9 operator, in a clear, conspicuous, and accessible manner the number
10 of the toll-free compulsive gambling hotline maintained by this
11 state and offer responsible gambling services and technical
12 controls to authorized participants, consisting of both temporary
13 and permanent self-exclusion for all internet games offered and the
14 ability for authorized participants to establish their own periodic
15 deposit and 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 board may incorporate the voluntary
19 self-exclusion list into the responsible gaming database and
20 maintain both the self-exclusion list and the responsible gaming
21 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
28 is not an internet gaming operator unless this act does not apply
29 to the internet gaming under section 4(4).



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

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

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

8 (3) The board shall not issue a license under this act to a
9 person that violates subsection (1).

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

13 Sec. 14. (1) Except for an internet gaming operator that is an
14 Indian tribe, an internet gaming operator is subject to a graduated
15 tax on the adjusted gross receipts received by the internet gaming
16 operator from all internet gaming it conducts under this act as set
17 forth below:

18 (a) For the first 3 years of internet gaming operations:

19 (i) For adjusted gross receipts less than \$4,000,000.00, a tax
20 of 4%.

21 (ii) For adjusted gross receipts of \$4,000,000.00 or more but
22 less than \$8,000,000.00, a tax of 6%.

23 (iii) For adjusted gross receipts of \$8,000,000.00 or more but
24 less than \$10,000,000.00, a tax of 8%.

25 (iv) For adjusted gross receipts of \$10,000,000.00 or more but
26 less than \$12,000,000.00, a tax of 10%.

27 (v) For adjusted gross receipts of \$12,000,000.00 or more,
28 19%.

29 (b) For the fourth year of internet gaming operations:



1 (i) For adjusted gross receipts less than \$4,000,000.00, a tax
2 of 6%.

3 (ii) For adjusted gross receipts of \$4,000,000.00 or more but
4 less than \$8,000,000.00, a tax of 8%.

5 (iii) For adjusted gross receipts of \$8,000,000.00 or more but
6 less than \$10,000,000.00, a tax of 10%.

7 (iv) For adjusted gross receipts of \$10,000,000.00 or more but
8 less than \$12,000,000.00, a tax of 12%.

9 (v) For adjusted gross receipts of \$12,000,000.00 or more, a
10 tax of 21%.

11 (c) For each year after the first 4 years of internet gaming
12 operations:

13 (i) For adjusted gross receipts less than \$4,000,000.00, a tax
14 of 8%.

15 (ii) For adjusted gross receipts of \$4,000,000.00 or more but
16 less than \$8,000,000.00, a tax of 10%.

17 (iii) For adjusted gross receipts of \$8,000,000.00 or more but
18 less than \$10,000,000.00, a tax of 12%.

19 (iv) For adjusted gross receipts of \$10,000,000.00 or more but
20 less than \$12,000,000.00, a tax of 14%.

21 (v) For adjusted gross receipts of \$12,000,000.00 or more, a
22 tax of 23%.

23 (2) An internet gaming operator that is an Indian tribe is
24 subject to the payment requirements under section 7(1)(f).

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



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

8 (5) In addition to payment of the tax and other fees as
9 provided in this act, and to any payment required pursuant to an
10 existing development agreement described in subsection (4), if a
11 city has imposed a municipal services fee equal to 1.25% on a
12 casino licensee, the city shall charge a 1.25% fee on the adjusted
13 gross receipts of an internet gaming operator that holds a casino
14 license under the Michigan Gaming Control and Revenue Act, 1996 IL
15 1, MCL 432.201 to 432.226, whose casino is in that city.

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

18 (a) Thirty percent to the city in which the internet gaming
19 operator licensee's casino is located, for use in connection with
20 the following:

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

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

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

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

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



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

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

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

5 (b) Sixty-five percent to this state to be deposited in the
6 fund.

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

15 (2) By December 31, 2020 and each December 31 after that date,
16 if the combined amount of money received in the preceding fiscal
17 year by the city in which the internet gaming operator's casino is
18 located from money allocated under subsection (1)(a), from the
19 wagering tax allocated under section 12 of the Michigan Gaming
20 Control and Revenue Act, 1996 IL 1, MCL 432.212, and all payments
21 received under existing development agreements with internet gaming
22 operators, is less than \$183,000,000.00, the board shall distribute
23 from the fund to the city in which the internet gaming operator's
24 casino is located an amount equal to the difference between
25 \$183,000,000.00 and the combined amount of money the city in which
26 the internet gaming operator's casino is located received in the
27 preceding fiscal year from money allocated under subsection (1)(a),
28 from the wagering tax allocated under section 12 of the Michigan
29 Gaming Control and Revenue Act, 1996 IL 1, MCL 432.212, and all



1 payments received by the city under existing development agreements
 2 with internet gaming operators. The calculations set forth in this
 3 subsection must not include any payments made under section 14(5)
 4 or any payments made under section 13(1) of the Michigan Gaming
 5 Control and Revenue Act, 1996 IL 1, MCL 432.213. However, the total
 6 amount the city in which the internet gaming operator's casino is
 7 located receives for the preceding fiscal year under subsection
 8 (1)(a) and this subsection must not be more than 55% of the total
 9 tax imposed under section 14 in the fiscal year.

10 (3) By December 31, 2020 and each December 31 after that date,
 11 if the contributions from the bureau of lottery's iLottery program
 12 to the state school aid fund established under section 11 of
 13 article IX of the state constitution of 1963 are less than
 14 \$70,000,000.00, the board shall distribute from the fund to the
 15 state school aid fund established under section 11 of article IX of
 16 the state constitution of 1963 an amount equal to the difference
 17 between \$70,000,000.00 and the amount received from the bureau of
 18 lottery's iLottery program.

19 (4) If the conditions described in subsections (2) and (3)
 20 apply, the board shall make the distributions under subsection (2)
 21 before making any distributions under subsection (3).

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

24 (a) Thirty percent to the governing body of the jurisdiction
 25 where the internet gaming operator licensee's casino is located for
 26 its use in connection with the provision of governmental services.

27 (b) Fifty-two and one-half percent to this state to be
 28 deposited in the fund.

29 (c) Seventeen and one-half percent to the Michigan strategic



1 fund created under section 5 of the Michigan strategic fund act,
2 1984 PA 270, MCL 125.2005.

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

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

10 (3) The board is the administrator of the fund for auditing
11 purposes.

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

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

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

20 (c) All money remaining after expenditures under subdivisions
21 (a) and (b), to be deposited into the state school aid fund
22 established under section 11 of article IX of the state
23 constitution of 1963.

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

