The three new laws that legalize sports betting vary in significant ways, including where the activity is allowed to occur and whether wagering on college sports is allowed.

1. Sports betting coming to casinos; in Illinois, stadiums can enter wagering game

With the signing of HB 1015 [2] in May, Indiana became the first state in the Midwest to legalize sports betting. Iowa (SF 617 [3]) and Illinois (SB 690 [4]) soon followed. In all three states, this activity will be allowed at existing gambling facilities — for example, casinos and horse tracks in Illinois, and casinos and “racinos” (horse tracks with casinos) in Indiana and Iowa.

Lawmakers in Illinois also legalized sports betting at “a facility that hosts sports events and holds a seating capacity greater than 17,000 persons.” This means betting windows and sports books could be added at or near venues such as Wrigley Field, Soldier Field and the United Center. Under a pilot program, too, sports bets could be placed at retail locations that sell Illinois lottery tickets.

2. State laws take different approaches to betting online, and on college sports

Individuals will be able to place bets via the internet and their mobile devices in all three Midwestern states.

In Iowa, online wagering is allowed only if an individual has first completed in-person registration at one of the state’s licensed sports-betting facilities. In contrast, Indiana does not require this kind of in-person registration; the online wagering, though, will be done through the mobile platforms developed by the state’s casinos, racinos or off-track betting facilities.

According to the Chicago Tribune [5], during the first 18 months of the Illinois law, online or mobile wagering must be done through one of the state’s casinos or other facilities with a sports-betting license. Eventually, Illinois will make three online-only licenses available, at a cost of $20 million per license.

Another difference in the three laws is how they handle betting on collegiate sports. In Illinois, no betting is allowed on in-state college teams. There is no such prohibition in the other two states. However, in Iowa, in-play bets (wagers made within the game itself) on the state’s college athletes are prohibited. Indiana legislators left the regulation of all in-play betting to the state’s Gaming Commission.

3. States vary on estimates of revenue gains from new licensing fees and taxes

A mix of one-time licensing fees, an annual licensing fee and a tax on gross revenue (see table) will deliver sports-betting revenue to the three states. A legislative fiscal note [6] on Indiana’s HB 1015 estimates that by fiscal year 2021, the state’s revenue gain will be $12.7 million. In Iowa, fiscal estimates [7] put the increase from SF 617 (which legalized sports betting and fantasy sports) at between $1.8 million and $3.5 million. Illinois was projecting much higher revenue increases from its new law.

How much each state brings in will depend not only on tax rates, licensing fees and the extent of the gambling
expansions, but on how many people choose to participate. As of January, among the six U.S. states with new, active sports-betting markets, the total handle had reached $503 million (see table). This marked the first time that sports betting in Nevada had been eclipsed by the rest of the country, according to the American Gaming Association [8].

4. Legalized sports betting still a ways off in most other Midwestern states

Sports betting won’t be legalized in most other Midwestern states anytime soon. Many of the region’s legislatures have adjourned for the year, and in some states, voter-approved constitutional amendments would be required.

According to the American Gaming Association, legalization in 2019 still remained a possibility in Michigan and Ohio. Ohio’s HB 194 [9] would allow sports wagering at casinos, racinos, and veterans and fraternal organizations, as well as on mobile and internet devices. The state would impose a tax of 10 percent on gross gaming revenue. This tax would generate an estimated $17.8 million in fiscal year 2021.

In three other Midwestern states, this year’s legalization bills only passed one legislative chamber (North Dakota’s HB 1254 [10]), stalled after committee passage (Minnesota’s SB 1894 [11]), or went nowhere after introduction (at least five such bills in Kansas). A proposed constitutional amendment in South Dakota would have allowed sports wagering in the town of Deadwood (where other forms of gambling already are legal). SJR 2 [12] passed the Senate but was defeated in the House.

5. Future changes in federal law could impact state activity on sports betting

A new federal law on sports betting also is possible, and legislation introduced in late 2018 (the Sports Wagering Market Integrity Act [13]) shows how the U.S. Congress might approach the issue:

- Establish federal standards on how states regulate sports wagering.
- Ban betting on college sports.
- Create a new legal framework for online sports wagering.

States could authorize this activity, but only by individuals located within their borders. In order to offer interstate betting, states would need to be part of a compact approved by the U.S. attorney general.

The U.S. Wire Act bars interstate sports gambling, but a 2018 U.S. Supreme Court decision [14] allowed states to pursue legalized sports betting within their borders.

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