

ASSEMBLY BILL NO. 296—ASSEMBLYMEN BERMAN, GIBBONS, MANENDO, BEERS, OHRENSCHALL, ANGLE, BACHE, BROWER, CARPENTER, CEGAVSKE, CHOWNING, CLABORN, COLLINS, FREEMAN, GIUNCHIGLIANI, GOLDWATER, GUSTAVSON, HETTRICK, HUMKE, LEE, LESLIE, MARVEL, MCCLAIN, MORTENSON, NOLAN, OCEGUERA, PARKS, PARNELL, PRICE, SMITH, TIFFANY, VON TOBEL AND WILLIAMS

MARCH 7, 2001

JOINT SPONSORS: SENATORS SCHNEIDER, CARLTON, AMODEI, SHAFFER AND WIENER

Referred to Committee on Judiciary

SUMMARY—Enacts provisions governing licensing and operation of interactive gaming. (BDR 41-706)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to gaming; authorizing the Nevada gaming commission to adopt regulations governing the licensing and operation of interactive gaming if the commission first makes certain determinations; providing that a license to operate interactive gaming may be issued only to resort hotels or certain other establishments holding nonrestricted licenses; providing that gross revenue received from interactive gaming is subject to taxation in the same manner as gross revenue received from other games; prohibiting a person from operating interactive gaming until the commission adopts regulations and unless the person procures and maintains all licenses required pursuant to the regulations; providing for the enforceability of gaming debts incurred pursuant to an interactive gaming system; providing for the licensure and regulation of manufacturers of interactive gaming components; revising the definition of “manufacturer” for the purposes of the Nevada Gaming Control Act; providing a penalty; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** Chapter 463 of NRS is hereby amended by adding thereto
- 2 the provisions set forth as sections 2, 3 and 4 of this act.



\* A B 2 9 6 R 1 \*

1     **Sec. 2. 1.** *“Interactive gaming” means the conduct of gambling*  
2 *games through the use of communications technology that allows a*  
3 *person outside or within an establishment, utilizing money, checks,*  
4 *electronic checks, electronic transfers of money, credit cards, debit cards*  
5 *or any other instrumentality, to transmit to a computer within the*  
6 *establishment information to assist in the placing of a bet or wager and*  
7 *corresponding information related to the display of the game, game*  
8 *outcomes or other similar information.*

9     2. *As used in this section, “communications technology” means any*  
10 *method used and the components employed by an establishment to*  
11 *facilitate the transmission of information, including, without limitation,*  
12 *transmission and reception by systems based on wire, cable, radio,*  
13 *microwave, light, optics or computer data networks, including, without*  
14 *limitation, the Internet and intranets.*

15     **Sec. 3. 1.** *Except as otherwise provided in subsections 2 and 3, the*  
16 *commission may, with the advice and assistance of the board, adopt*  
17 *regulations governing the licensing and operation of interactive gaming.*

18     2. *The commission may not adopt regulations governing the*  
19 *licensing and operation of interactive gaming until the commission first*  
20 *determines that:*

21     (a) *Interactive gaming can be operated in compliance with all*  
22 *applicable laws;*

23     (b) *Interactive gaming systems are secure and reliable, and provide*  
24 *reasonable assurance that players will be of lawful age and*  
25 *communicating only from jurisdictions where it is lawful to make such*  
26 *communications; and*

27     (c) *Adoption of such regulations is consistent with the public policy of*  
28 *the state to foster the stability and success of gaming.*

29     3. *The regulations adopted by the commission pursuant to this*  
30 *section must:*

31     (a) *Establish the investigation fees for:*

32         (1) *A license to operate interactive gaming; and*

33         (2) *A license for a manufacturer of interactive gaming components.*

34     (b) *Provide that:*

35         (1) *A person must hold a license for a manufacturer of interactive*  
36 *gaming components to supply or provide any component part of an*  
37 *interactive gaming system, including, without limitation, any piece of*  
38 *proprietary software or hardware; and*

39         (2) *A manufacturer of interactive gaming components must be*  
40 *specifically licensed as a manufacturer of a gaming device for interactive*  
41 *gaming, manufacturer of equipment associated with a gaming device for*  
42 *interactive gaming or manufacturer of peripheral equipment related to a*  
43 *gaming device for interactive gaming.*

44     (c) *Set forth standards for the suitability of a person to be licensed as*  
45 *a manufacturer of interactive gaming components that are as stringent*  
46 *as the standards for a nonrestricted license.*

47     (d) *Provide that gross revenue received by an establishment from the*  
48 *operation of interactive gaming is subject to the same license fee*



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1 *provisions of NRS 463.370 as the games and gaming devices of the*  
2 *establishment.*

3 *(e) Define "interactive gaming system," "manufacturer of a gaming*  
4 *device for interactive gaming," "manufacturer of equipment associated*  
5 *with a gaming device for interactive gaming," "manufacturer of*  
6 *interactive gaming components," "manufacturer of peripheral*  
7 *equipment related to a gaming device for interactive gaming" and*  
8 *"operate interactive gaming" as the terms are used in chapter 463 of*  
9 *NRS.*

10 *4. The commission shall not approve a license for an establishment*  
11 *to operate interactive gaming unless:*

12 *(a) In a county whose population is 400,000 or more, the*  
13 *establishment is a resort hotel.*

14 *(b) In a county whose population is more than 100,000 but less than*  
15 *400,000, the establishment is a resort hotel or the establishment:*

16 *(1) Holds a nonrestricted license for the operation of games and*  
17 *gaming devices;*

18 *(2) Has more than 120 rooms available for sleeping*  
19 *accommodations in the same county;*

20 *(3) Has at least one bar with permanent seating capacity for more*  
21 *than 30 patrons that serves alcoholic beverages sold by the drink for*  
22 *consumption on the premises;*

23 *(4) Has at least one restaurant with permanent seating capacity for*  
24 *more than 60 patrons that is open to the public 24 hours each day and 7*  
25 *days each week; and*

26 *(5) Has a gaming area that is at least 18,000 square feet in area*  
27 *with at least 1,600 slot machines, 40 table games, and a sports book and*  
28 *race pool.*

29 *(c) In all other counties, the establishment is a resort hotel or the*  
30 *establishment:*

31 *(1) Has held a nonrestricted license for the operation of games and*  
32 *gaming devices for at least 10 years before the date of its application for*  
33 *a license to operate interactive gaming;*

34 *(2) Meets the definition of group 1 licensee as set forth in the*  
35 *regulations of the board on the date of its application for a license to*  
36 *operate interactive gaming; and*

37 *(3) Operates either:*

38 *(I) More than 100 rooms for sleeping accommodations in*  
39 *connection therewith; or*

40 *(II) More than 150 gaming devices in connection therewith.*

41 *5. It is unlawful for any person, either as owner, lessee or employee,*  
42 *whether for hire or not, either solely or in conjunction with others, to*  
43 *operate interactive gaming:*

44 *(a) Until the commission adopts regulations pursuant to this section;*  
45 *and*

46 *(b) Unless the person first procures, and thereafter maintains in*  
47 *effect, all appropriate licenses as required by the regulations adopted by*  
48 *the commission pursuant to this section.*



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1     6. *A person who violates subsection 5 is guilty of a category B felony*  
2 *and shall be punished by imprisonment in the state prison for a*  
3 *minimum term of not less than 1 year and a maximum term of not more*  
4 *than 10 years or by a fine of not more than \$50,000, or both.*

5     Sec. 4. *A debt incurred by a patron for play at an interactive gaming*  
6 *system of an establishment licensed to operate interactive gaming is valid*  
7 *and may be enforced by legal process.*

8     Sec. 5. NRS 463.013 is hereby amended to read as follows:  
9     463.013 As used in this chapter, unless the context otherwise requires,  
10 the words and terms defined in NRS 463.0133 to 463.0197, inclusive, *and*  
11 *section 2 of this act*, have the meanings ascribed to them in those sections.

12     Sec. 6. NRS 463.0172 is hereby amended to read as follows:

13     463.0172 "Manufacturer" means a person who:

14     1. Manufactures, assembles, programs or makes modifications to a  
15 gaming device , ~~for~~ cashless wagering system ~~for~~ *or interactive gaming*  
16 *system*; or

17     2. Designs, *assumes responsibility for the design of*, controls the  
18 design or assembly *of*, or maintains a copyright over the design of , a  
19 mechanism, electronic circuit or computer program which cannot be  
20 reasonably demonstrated to have any application other than in a gaming  
21 device , ~~for in a~~ cashless wagering system ~~for~~ *or interactive gaming*  
22 *system* for use or play in this state or for distribution outside of this state.

23     Sec. 7. NRS 463.3557 is hereby amended to read as follows:

24     463.3557 1. ~~For~~ *Except as otherwise provided in subsection 2, an*  
25 electronic transfer of money from a financial institution directly to a game  
26 or gaming device may not be made with a credit card.

27     2. *The provisions of subsection 1 do not apply to an interactive*  
28 *gaming system.*

29     Sec. 8. NRS 463.361 is hereby amended to read as follows:

30     463.361 1. Except as otherwise provided in *section 4 of this act and*  
31 NRS 463.361 to 463.366, inclusive, gaming debts that are not evidenced by  
32 a credit instrument are void and unenforceable and do not give rise to any  
33 administrative or civil cause of action.

34     2. A claim by a patron of a licensee for payment of a gaming debt that  
35 is not evidenced by a credit instrument may be resolved in accordance with  
36 NRS 463.362 to 463.366, inclusive:

37     (a) By the board; or

38     (b) If the claim is for less than \$500, by a hearing examiner designated  
39 by the board.

40     Sec. 9. NRS 463.482 is hereby amended to read as follows:

41     463.482 As used in NRS 463.160 to 463.170, inclusive, *and section 3*  
42 *of this act*, 463.368, 463.386 and 463.482 to 463.645, inclusive, unless the  
43 context otherwise requires, the words and terms defined in NRS 463.4825  
44 to 463.488, inclusive, have the meanings ascribed to them in those  
45 sections.

46     Sec. 10. NRS 463.650 is hereby amended to read as follows:

47     463.650 1. Except as otherwise provided in subsections 2 to 5,  
48 inclusive, it is unlawful for any person, either as owner, lessee or  
49 employee, whether for hire or not, to operate, carry on, conduct or maintain



1 any form of manufacture, selling or distribution of any gaming device, ~~for~~  
2 cashless wagering system *or interactive gaming system* for use or play in  
3 Nevada or for distribution outside of Nevada without first procuring and  
4 maintaining all required federal, state, county and municipal licenses.

5 2. A lessor who specifically acquires equipment for a capital lease is  
6 not required to be licensed under this section or NRS 463.660.

7 3. The holder of a state gaming license or the holding company of a  
8 corporation, partnership, limited partnership, limited-liability company or  
9 other business organization holding a license may, within 2 years after  
10 cessation of business or upon specific approval by the board, dispose of by  
11 sale in a manner approved by the board, any or all of its gaming devices,  
12 including slot machines, and cashless wagering systems, without a  
13 distributor's license. In cases of bankruptcy of a state gaming licensee or  
14 foreclosure of a lien by a bank or other person holding a security interest  
15 for which gaming devices are security in whole or in part for the lien, the  
16 board may authorize the disposition of the gaming devices without  
17 requiring a distributor's license.

18 4. The commission may, by regulation, authorize a person who owns  
19 gaming devices for home use in accordance with NRS 463.160 to sell such  
20 devices without procuring a license therefor.

21 5. Upon approval by the board, a gaming device owned by:

22 (a) A law enforcement agency;

23 (b) A court of law; or

24 (c) A gaming device repair school licensed by the commission on  
25 postsecondary education,

26 may be disposed of by sale, in a manner approved by the board, without a  
27 distributor's license. An application for approval must be submitted to the  
28 board in the manner prescribed by the chairman.

29 6. ~~Any~~ *Except as is otherwise required for the licensure of a*  
30 *manufacturer of interactive gaming components, any* person whom the  
31 commission determines is a suitable person to receive a license under the  
32 provisions of this section and NRS 463.660 may be issued a  
33 manufacturer's or distributor's license. The burden of proving his  
34 qualification to receive or hold a license under this section and NRS  
35 463.660 is at all times on the applicant or licensee.

36 7. Every person who must be licensed pursuant to this section is  
37 subject to the provisions of NRS 463.482 to 463.645, inclusive, unless  
38 exempted from those provisions by the commission.

39 8. The commission may exempt, for any purpose, a manufacturer,  
40 seller or distributor from the provisions of NRS 463.482 to 463.645,  
41 inclusive, if the commission determines that the exemption is consistent  
42 with the purposes of this chapter.

43 9. As used in this section, "holding company" has the meaning  
44 ascribed to it in NRS 463.485.

45 **Sec. 11.** NRS 463.670 is hereby amended to read as follows:

46 463.670 1. The legislature finds and declares as facts:

47 (a) That the inspection of gaming devices, associated equipment, ~~and~~  
48 cashless wagering systems *and interactive gaming systems* is essential to  
49 carry out the provisions of this chapter; and



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- 1 (b) That inspection of gaming devices, associated equipment , ~~and~~  
2 cashless wagering systems *and interactive gaming systems* is greatly  
3 facilitated by the opportunity to inspect components before assembly and  
4 to examine the methods of manufacture.
- 5 2. The board may inspect every gaming device which is manufactured,  
6 sold or distributed:
- 7 (a) For use in this state, before the gaming device is put into play.  
8 (b) In this state for use outside this state, before the gaming device is  
9 shipped out of this state.
- 10 3. The board may inspect every gaming device which is offered for  
11 play within this state by a licensee.
- 12 4. The board may inspect all associated equipment , ~~and~~ every  
13 cashless wagering system *and every interactive gaming system* which is  
14 manufactured, sold or distributed for use in this state before the equipment  
15 or system is installed or used by a licensee and at any time while the  
16 licensee is using the equipment or system.
- 17 5. In addition to all other fees and charges imposed by this chapter, the  
18 board may determine, charge and collect an inspection fee from each  
19 manufacturer, seller or distributor which must not exceed the actual cost of  
20 inspection and investigation.
- 21 **Sec. 12.** The amendatory provisions of this act do not apply to  
22 offenses committed before the effective date of this act.
- 23 **Sec. 13.** This act becomes effective upon passage and approval.

