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THIRD REPRINT

A.B. 258

ASSEMBLY BILL NO. 258—COMMITTEE ON JUDICIARY

MARCH 10, 2011

Referred to Committee on Judiciary

SUMMARY—Revises provisions governing the licensing and operation of interactive gaming. (BDR 41-657)

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; requiring the Nevada Gaming Commission to adopt regulations relating to the licensing and operation of interactive gaming; providing a penalty; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

- 1 Existing law authorizes certain gaming establishments to obtain a license to
2 operate interactive gaming. (NRS 463.750) This bill requires the Nevada Gaming
3 Commission to establish by regulation certain provisions authorizing the licensing
4 and operation of interactive gaming under certain circumstances. This bill further
5 provides that a license to operate interstate interactive gaming does not become
6 effective until: (1) the passage of federal legislation authorizing interactive gaming;
7 or (2) the United States Department of Justice notifies the Commission or the State
8 Gaming Control Board that interactive gaming is permissible under federal law.

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
2 thereto the provisions set forth as sections 2 to 7, inclusive, of this
3 act.

- 4 **Sec. 2.** *The Legislature hereby finds and declares that:*

- 5 *1. The State of Nevada leads the nation in gaming regulation*
6 *and enforcement, such that the State of Nevada is uniquely*
7 *positioned to develop an effective and comprehensive regulatory*
8 *structure related to interactive gaming.*



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2. *A comprehensive regulatory structure, coupled with strict licensing standards, will ensure the protection of consumers, prevent fraud, guard against underage and problem gambling and aid in law enforcement efforts.*

3. *To provide for licensed and regulated interactive gaming and to prepare for possible federal legislation, the State of Nevada must develop the necessary structure for licensure, regulation and enforcement.*

Sec. 3. (Deleted by amendment.)

Sec. 4. (Deleted by amendment.)

Sec. 5. (Deleted by amendment.)

Sec. 6. (Deleted by amendment.)

Sec. 7. (Deleted by amendment.)

Sec. 8. (Deleted by amendment.)

Sec. 9. (Deleted by amendment.)

Sec. 10. (Deleted by amendment.)

Sec. 10.5. NRS 463.016425 is hereby amended to read as follows:

463.016425 1. "Interactive gaming" means the conduct of gambling games through the use of communications technology that allows a person, utilizing money, checks, electronic checks, electronic transfers of money, credit cards, debit cards or any other instrumentality, to transmit to a computer information to assist in the placing of a bet or wager and corresponding information related to the display of the game, game outcomes or other similar information. The term ~~Does~~ :

(a) *Includes, without limitation, Internet poker.*

(b) *Does* not include the operation of a race book or sports pool that uses communications technology approved by the Board pursuant to regulations adopted by the Commission to accept wagers originating within this state for races, or sporting events or other events.

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

Sec. 11. NRS 463.160 is hereby amended to read as follows:

463.160 1. Except as otherwise provided in subsection 4 and NRS 463.172, it is unlawful for any person, either as owner, lessee or employee, whether for hire or not, either solely or in conjunction with others:



(a) To deal, operate, carry on, conduct, maintain or expose for play in the State of Nevada any gambling game, gaming device, inter-casino linked system, mobile gaming system, slot machine, race book or sports pool;

(b) To provide or maintain any information service;

(c) To operate a gaming salon; ~~for~~

(d) To receive, directly or indirectly, any compensation or reward or any percentage or share of the money or property played, for keeping, running or carrying on any gambling game, slot machine, gaming device, mobile gaming system, race book or sports pool ~~H~~; or

(e) To operate, carry on, conduct, maintain or expose for play in or from the State of Nevada any interactive gaming system,

↳ without having first procured, and thereafter maintaining in effect, all federal, state, county and municipal gaming licenses as required by statute, regulation or ordinance or by the governing board of any unincorporated town.

2. The licensure of an operator of an inter-casino linked system is not required if:

(a) A gaming licensee is operating an inter-casino linked system on the premises of an affiliated licensee; or

(b) An operator of a slot machine route is operating an inter-casino linked system consisting of slot machines only.

3. Except as otherwise provided in subsection 4, it is unlawful for any person knowingly to permit any gambling game, slot machine, gaming device, inter-casino linked system, mobile gaming system, race book or sports pool to be conducted, operated, dealt or carried on in any house or building or other premises owned by the person, in whole or in part, by a person who is not licensed pursuant to this chapter, or that person's employee.

4. The Commission may, by regulation, authorize a person to own or lease gaming devices for the limited purpose of display or use in the person's private residence without procuring a state gaming license.

5. As used in this section, "affiliated licensee" has the meaning ascribed to it in NRS 463.430.

Sec. 12. NRS 463.750 is hereby amended to read as follows:

463.750 1. ~~{Except as otherwise provided in subsections 2 and 3, the}~~ **The** Commission ~~{may,}~~ **shall**, with the advice and assistance of the Board, adopt regulations governing the licensing and operation of interactive gaming.

2. ~~{The Commission may not adopt regulations governing the licensing and operation of interactive gaming until the Commission first determines that:~~



~~—(a) Interactive gaming can be operated in compliance with all applicable laws;~~

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

~~—(c) Such regulations are consistent with the public policy of the State to foster the stability and success of gaming.~~

~~—3.1~~ The regulations adopted by the Commission pursuant to this section must:

(a) Establish the investigation fees for:

(1) A license to operate interactive gaming;

(2) A license for a manufacturer of interactive gaming systems; and

(3) A license for a manufacturer of equipment associated with interactive gaming.

(b) Provide that:

(1) A person must hold a license for a manufacturer of interactive gaming systems to supply or provide any interactive gaming system, including, without limitation, any piece of proprietary software or hardware; and

(2) A person may be required by the Commission to hold a license for a manufacturer of equipment associated with interactive gaming.

(c) Set forth standards for the suitability of a person to be licensed as a manufacturer of interactive gaming systems or manufacturer of equipment associated with interactive gaming that are as stringent as the standards for a nonrestricted license.

(d) Provide that gross revenue received by an establishment from the operation of interactive gaming is subject to the same license fee provisions of NRS 463.370 as the games and gaming devices of the establishment ~~H~~ , *unless federal law otherwise provides for a similar fee or tax.*

(e) Set forth standards for the location and security of the computer system and for approval of hardware and software used in connection with interactive gaming.

(f) Define “equipment associated with interactive gaming,” “interactive gaming system,” “manufacturer of equipment associated with interactive gaming,” “manufacturer of interactive gaming systems,” “operate interactive gaming” and “proprietary hardware and software” as the terms are used in this chapter.

~~H~~ *(g) Provide that any license to operate interstate interactive gaming does not become effective until:*

(1) A federal law authorizing the specific type of interactive gaming for which the license was granted is enacted; or



(2) The United States Department of Justice notifies the Board or Commission in writing that it is permissible under federal law to operate the specific type of interactive gaming for which the license was granted.

3. Except as otherwise provided in ~~subsection 5,~~ subsections 4 and 5, the Commission shall not approve a license for an establishment to operate interactive gaming unless:

(a) In a county whose population is 400,000 or more, the establishment is a resort hotel that holds a nonrestricted license to operate games and gaming devices.

(b) In a county whose population is more than 40,000 but less than 400,000, the establishment is a resort hotel that holds a nonrestricted license to operate games and gaming devices or the establishment:

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

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

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

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

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

(c) In all other counties, the establishment is a resort hotel that holds a nonrestricted license to operate games and gaming devices or the establishment:

(1) Has held a nonrestricted license for the operation of games and gaming devices for at least 5 years before the date of its application for a license to operate interactive gaming;

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

(3) Operates either:

(I) More than 50 rooms for sleeping accommodations in connection therewith; or

(II) More than 50 gaming devices in connection therewith.

~~15-~~ 4. The Commission may:

(a) Issue a license to operate interactive gaming to an affiliate of an establishment if:



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(1) The establishment satisfies the applicable requirements set forth in subsection ~~4; and~~ 3;

(2) The affiliate is located in the same county as the establishment; and

(3) The establishment has held a nonrestricted license for at least 5 years before the date on which the application is filed; and

(b) Require an affiliate that receives a license pursuant to this subsection to comply with any applicable provision of this chapter.

~~6; 5.~~ *The Commission may issue a license to operate interactive gaming to an applicant that meets any qualifications established by federal law regulating the licensure of interactive gaming.*

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

(a) Until the Commission adopts regulations pursuant to this section; and

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

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

Sec. 12.5. NRS 463.770 is hereby amended to read as follows:

463.770 1. ~~463.770~~ *Unless federal law otherwise provides for a similar fee or tax, all* gross revenue from operating interactive gaming received by an establishment licensed to operate interactive gaming, regardless of whether any portion of the revenue is shared with another person, must be attributed to the licensee and counted as part of the gross revenue of the licensee for the purpose of computing the license fee required by NRS 463.370.

2. A manufacturer of interactive gaming systems who is authorized by an agreement to receive a share of the revenue from an interactive gaming system from an establishment licensed to operate interactive gaming is liable to the establishment for a portion of the license fee paid pursuant to subsection 1. The portion for which the manufacturer of interactive gaming systems is liable is 6.75 percent of the amount of revenue to which the manufacturer of interactive gaming systems is entitled pursuant to the agreement.

3. For the purposes of subsection 2, the amount of revenue to which the manufacturer of interactive gaming systems is entitled pursuant to an agreement to share the revenue from an interactive gaming system:



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(a) Includes all revenue of the manufacturer of interactive gaming systems that is the manufacturer of interactive gaming systems' share of the revenue from the interactive gaming system pursuant to the agreement; and

(b) Does not include revenue that is the fixed purchase price for the sale of a component of the interactive gaming system.

Sec. 13. (Deleted by amendment.)

Sec. 14. (Deleted by amendment.)

Sec. 14.5. The Nevada Gaming Commission shall, on or before January 31, 2012, adopt regulations to carry out the amendatory provisions of this act.

Sec. 15. This act becomes effective upon passage and approval.

