



Frequently Asked Questions: The Internet Gambling Regulation and Tax Enforcement Act of 2008

Congressman Jim McDermott (D-WA) introduced the Internet Gambling Regulation and Tax Enforcement Act (H.R. 5523) in March 2008. The bill would create a taxation regime for online gambling companies licensed under the Internet Gambling and Enforcement Act (H.R. 2046).

What are the objectives of the Internet Gambling Regulation and Tax Enforcement Act of 2008?

The objective of the legislation is to raise revenue for the U.S. Treasury primarily through ensuring that taxes owed on regulated Internet gambling activities, both individual and corporate, are collected. As Congress works to find funding for critical government programs, this legislation is expected to generate billions of dollars in new revenue. The legislation strengthens provisions in an earlier version of the bill introduced last year and includes an enhanced reporting mechanism under which licensed gambling operators are required to provide each customer an annual statement of winnings and losses.

How will this bill tax Internet gambling?

Each Internet gambling operator licensed by the Financial Crimes Enforcement Network (FinCEN) would be required to pay a licensing fee of two percent of all funds deposited by any person placing a bet. The license fee would be paid solely by the Internet gambling operator and would not be deducted from the deposit of the person wishing to place a bet. The licensing fee is designed to equalize the costs of operation in providing gambling services online, as opposed to brick-and-mortar casinos providing gambling services in-person. Licensed operators would also be required to ensure the collection of applicable federal and state taxes from licensees and from individual gamblers.

What are the projections for additional tax revenue that would be generated through regulated Internet gambling?

The Internet Gambling Regulation and Tax Enforcement Act is expected to generate between \$8.7 billion and \$42.8 billion in revenues for the U.S. Treasury in the first ten years of enactment, according to analysis prepared by PriceWaterhouseCoopers. Industry experts believe these figures to be conservative. This revenue is needed to fund important government programs, including health care, education and veterans care. The current prohibition is futile as Americans continue to gamble online, but without safeguards. The proposed legislation takes the right approach by ensuring license fees and taxes are collected, rather than allowing this significant revenue stream to flow offshore.

What are the benefits of regulating Internet gambling?

Regulated Internet gambling would protect an individual's freedom to use the Internet as they choose, generate funding for critical government programs and offer protections against underage gambling, compulsive gambling, money laundering, identity theft and fraud.