

## Legislative Issues

### **Unlawful Internet Gambling Funding Prohibition Act**

#### **Background**

Some opponents of Internet gambling believe that the most effective way to prevent it is to prohibit the use of credit to fund it. In past Congresses bills have been introduced to do this. Like all the legislation dealing with Internet wagering, the bills defined the Internet so broadly that they would have prohibited the use of any interactive computer, such as racing's totalisator machines, the telephone and any device using the Internet. "Credit" was also broadly defined and would have include any financial transaction, except the exchange of cash.

Because these bills did not make a distinction between legal, state-regulated wagering and illegal wagering, they posed a serious threat to the racing industry.

#### **Proposed Legislation**

Congressman Jim Leach (R-IA), the principal proponent of this approach, has reintroduced his legislation, the "Unlawful Internet Gambling Funding Prohibition Act" (H.R. 556). Also co-sponsoring this bill is Congressmen Mike Oxley (R-OH) and John LaFalce (D-NY). Mr. LaFalce has also introduced his bill, the "Internet Gambling Payments Prohibition Act" (H.R. 2579). Both bills were jointly referred to the Committee on Financial Services and the Committee on the Judiciary.

Congressman Leach's current bill does distinguish between legitimate businesses, such as pari-mutuel horse racing that use technology to facilitate their existing activities, and unregulated, off-shore gaming operations that are operating beyond the reach of U.S. law.

Mr. Leach's bill prohibits the use of credit for "unlawful Internet gambling," which is defined in the bill to mean:

“..to place, receive, or otherwise make a bet or wager by any means which involves the use, at least in part, of the Internet where such bet or wager is unlawful under any applicable Federal or State law in the State in which the bet or wager is initiated, received, or otherwise made.”

Mr. La Falce's legislation does not distinguish between legal and illegal wagering.

Both bills include a very broad definition of credit that encompasses virtually every means of transferring money, including credit cards, fund transfers, checks, drafts, money orders or wire transfers that are used in connection with any wagering that involves the Internet, even in a technical, minimal way.

Racing could continue to operate under the Leach bill as it presently does; but because the LaFalce bill does not exclude legal wagering from its prohibitions, it would have a dramatic effect on current pari-mutuel activities and would require race tracks to settle all payments to other tracks or patrons with cash. It would effectively stop interstate simulcast common-pool wagering and account wagering.

### **Congressional Action**

There have been several hearings on the Leach bill and the LaFalce bill.

On October 11, 2001, the House Financial Services Committee debated the Internet credit bills during consideration of the Financial Anti-terrorism Act of 2001. Prior to that mark-up, the industry worked with Financial Services Committee Chairman Mike Oxley (R-OH) to include language, in addition to the Leach language, providing that a “bet or wager” would not include “transactions with a business licensed by a State.” This language was included as an additional clarification that the bill was not intended to affect what pari-mutuel wagering is presently offering under state law and the Interstate Horseracing Act. This language was included in the Anti-terrorism bill reported out of the Committee.

Prior to the full House of Representatives voting on the final Anti-terrorism bill, all the Internet credit provisions were stripped from the package and were not considered by the House.

On October 13, the House Financial Services Committee considered the Unlawful Internet Gambling Funding Prohibition Act by itself. During the Committee debate, the “bet or wager” definition was discussed. Congressman Bob Ney (R-OH) moved to amend this provision to state that a “bet or wager” did not include “any transaction authorized under state law with a business licensed or authorized by a State.” This amendment was adopted on a voice vote. The bill was favorably reported out of the Committee.

### **Current Status**

The Leach bill was reported out of the House Financial Services Committee and sequentially referred to the House Judiciary Committee. On March 29, 2002, the bill was discharged from the House Judiciary Committee and sent to the full House. Once it is placed on the House schedule it will be considered.

The LaFalce bill has not been acted upon by the Financial Services Committee.

### **AHC Position**

The AHC supports the Unlawful Internet Gambling Funding Prohibition Act (H.R. 556). Because this bill is so broad and interstate interactive wagering is such an important area

to the industry, the horse industry must continue to monitor this legislation as it moves through the legislative process.