

Iowa Report Doubts Intrastate Poker's Revenue Potential

Instead of gaining tax revenue of up to \$35m annually by legalizing Internet poker, Iowa would likely receive just \$3m to \$13m per year, according to a report released Thursday by the state's Racing and Gaming Commission.

The reduced revenue projection could complicate efforts to pass Internet poker legislation in Iowa in 2012.

"I think some legislators hoped this report would give them some cover to support Internet poker, but now, they might be wondering if it's really worth it," Drake University law professor Keith Miller said.

But Democratic state Senator Jeff Danielson, the author of [legislation passed this year that called for the report](#), said the study strengthens the argument that Iowa can address concerns about Internet gambling while providing a safe and secure environment for online poker players.

"I'm not going to quibble over higher numbers. Even the more conservative figures should be enough to get the attention of Iowans," Danielson told GamblingCompliance.

A tax on the gross gaming revenue of a poker website would yield significantly higher revenue than a tax on the deposits of each player, according to the [report](#).

The original projection of \$30m to \$35m in total annual tax revenue came from US Digital Gaming, a California-based company that hopes to operate an Internet poker hub in Iowa.

US Digital Gaming's estimate was based on the assumption that up to 150,000 Iowans play Internet poker.

Kirk Uhler, a US Digital Gaming lobbyist, said his company's estimate is "perfectly defensible" because it is based on a three-year ramp-up phase.

He also noted the estimate was released before the April 15 indictment by the federal government of three major online poker operators.

"The primary aim of Internet poker legislation is not to generate revenue for the state. It's about regulating activity that is sending U.S. dollars overseas at the expense of licensed businesses in Iowa," Uhler said.

The Iowa Racing and Gaming Commission produced the 106-page report after [Governor Terry Branstad](#) signed Danielson's bill in May requiring the agency to research how existing casinos in the state might operate Internet poker games.

Among other things, the commission concluded that software available to detect player fraud is "very effective" and Iowa regulations for brick and mortar casinos could be incorporated into guidelines for Internet gambling.

The report also said that, without sufficient player liquidity, Iowans may not switch to state-licensed online poker sites from unregulated ones.

A survey of regular poker players in Iowa's land-based casinos found that one third of players surveyed did not play Internet poker but half play online a few times a week or more.

Land-based poker players would play online more frequently if it was legalized and regulated by the state or federal government, according to the report.

The Racing and Gaming Commission's report follows an October 1 study by the Iowa Department of Public Health which concluded it is not yet possible to assess what the social and health impacts of legalized Internet poker in Iowa would be.

"Those who gamble online also gamble offline," said University of Northern Iowa sociology professor Gene Lutz, who prepared the health department's report along with methodologist Mel Gonnerman.

"But would the legalization of Internet poker mean more gamblers or would it mean gamblers would gamble more? It's not clear which of the two would happen or if either one would happen," Lutz said.

If Iowa becomes one of the first states in America to approve Internet poker, “we will not have to reinvent the wheel,” said Brian Ohorilko, the director of gaming for the Iowa Racing and Gaming Commission.

“I think one of the most surprising things we found in doing this report is how advanced Internet gambling is in Europe and Canada,” Ohorilko said.

Ohorilko said the commission is likely to supplement the report before the Iowa legislature begins a new session next month.

Nevada already is [accepting license applications for intrastate Internet poker](#), but Senator Danielson said he does not plan to rush online poker legislation in Iowa.

“First and foremost, I want to have a thoughtful discussion with stakeholders in Iowa and address their concerns about Internet poker,” Danielson said.

The 110- day legislative session of the Iowa legislature in 2012 begins in January and ends in April. Danielson said that should leave enough time to pass an Internet poker bill.

“To do nothing is not a prudent choice,” he said. “Iowans are not naive. They realize billions of dollars are leaking out of the state to unregulated offshore gambling websites.”

Miller, the Drake University law professor, said Iowa’s history is replete with disappointing results after overly optimistic tax revenue projections from gambling.

But he also said he is not prepared to write off Internet poker legislation in Iowa in 2012.

“There is some serious lobbying money being used here, and I think it’s going to be a real close call,” Miller said. “I think the legislature is going to pass something.”