



State of Tennessee

PUBLIC CHAPTER NO. 450

SENATE BILL NO. 475

By Stevens, Johnson

Substituted for: House Bill No. 1362

By Farmer

AN ACT to amend Tennessee Code Annotated, Title 4; Title 39, Chapter 17 and Title 47, relative to sports.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 4-29-245(a)(28), is amended by deleting the word "advisory"; and by deleting the language "4-49-305" and substituting "4-49-105".

SECTION 2. Tennessee Code Annotated, Section 4-49-102(7), is amended by deleting the word "advisory".

SECTION 3. Tennessee Code Annotated, Section 4-49-102(16), is amended by deleting the subdivision and substituting:

(16) "Money line wager" means a wager on the outcome of a sporting event outright, with fixed odds in relation to the dollar amount wagered;

SECTION 4. Tennessee Code Annotated, Section 4-49-102(21), is amended by deleting the subdivision.

SECTION 5. Tennessee Code Annotated, Section 4-49-102(27), is amended by deleting the subdivision and substituting:

(27)(A) "Vendor" means a person who:

(i) Provides one (1) or more of the following:

(a) Geolocation services;

(b) Online sports wagering platform software;

(c) Patron account management services/software;

(d) Sportsbook risk management or odds-making services or software;

(e) Sports data feeds or software, including official league data feeds and software;

(f) "Know your customer" or "KYC" software or services; or

(g) Payment processing services;

(ii) Serves as an independent testing laboratory to assess interactive sports wagering platforms, integrity or security;

(iii) Has direct interface or interaction with patron accounts or interactive sports wagering platforms, as determined by the council;

(iv) Receives payment or compensation based on a revenue sharing agreement in which the vendor receives a percentage of the adjusted gross income of a licensee; or

(v) Provides similar services that are material to conducting interactive sports wagering, as determined by the council; and

(B) "Vendor" does not include marketing affiliates who are compensated by a method other than a revenue sharing agreement;

SECTION 6. Tennessee Code Annotated, Section 4-49-102, is amended by adding the following new subdivisions:

() "Cancelled wager" means a wager that was legal and appropriate when originally placed by the bettor, but some event, circumstance, or occurrence prevents the wager from being unequivocally determined in accordance with the licensee's approved house rules or internal controls;

() "Key personnel" means individuals who have the power to exercise significant influence over sports wagering in this state and who are associated with the applicant for licensure or registration as:

(i) A principal owner of more than five percent (5%) of the applicant;

(ii) A partner of the applicant, voting member on the board of directors of the applicant, or an officer of the applicant, as those terms are defined in title 48 or 61, as applicable; or

(iii) An employee of the applicant who principally oversees wagering activity, risk management, platform management, or integrity monitoring;

() "Obvious error" means either a human or technical error that results in a licensee offering wagers at terms, prices, or odds that are materially different from the general market or clearly incorrect given the chance of the event happening at the time the wager was accepted;

() "Person" means an individual, group of individuals, trust, or business entity;

() "Registrant" means a person who holds a registration issued under SECTION 31;

() "Resettled wager" means a wager that was settled incorrectly by a licensee due to a statistical correction, technical error, or human error;

() "Voided wager" means a wager that a licensee voids after acceptance because the wager is determined by the licensee, the council, or the executive director to be prohibited under this chapter, rules promulgated by the council, other state laws, or prohibited or otherwise invalid pursuant to the licensee's approved house rules or internal controls;

() "Gross handle" means the total amount of gross wagers less cancelled or voided wagers received by the licensee over a specified period of time;

() "Gross wager":

(A) Means all cash and promotional wagers received by licensees from bettors as wagers; and

(B) Includes all wagers placed with cash, cash equivalents, promotional items, and all other media by which a bettor is allowed to place a wager;

() "Promotional payout" means a payout by a licensee to a bettor in a form that cannot be immediately withdrawn by the bettor as cash;

() "Promotional wager" means a wager placed by a licensee using a bonus or other non-cash item;

SECTION 7. Tennessee Code Annotated, Section 4-49-103, is amended by deleting the section and substituting:

A person issued a license to offer interactive sports wagering or a registration as a vendor under this chapter is subject to all provisions of this chapter relating to licensure, registration, regulation, and civil and criminal penalties.

SECTION 8. Tennessee Code Annotated, Section 4-49-105(a)(1), is amended by deleting the word "advisory".

SECTION 9. Tennessee Code Annotated, Section 4-49-105(n)(3), is amended by deleting the language "§ 4-49-326" and substituting "§ 4-49-126".

SECTION 10. Tennessee Code Annotated, Section 4-49-112(a)(1), is amended by deleting the subdivision and substituting:

(1) A member, officer, or employee of the council, except that an employee of the council may place a nominal wager as part of an investigation or audit on behalf of the council. Winnings paid to an employee of the council based on a winning wager as part of an investigation or audit must be separately accounted for by the council and returned to the operator on a quarterly basis;

SECTION 11. Tennessee Code Annotated, Section 4-49-112(c), is amended by deleting the subsection and substituting:

The council shall post on its website the categories set forth in subsection (a) of persons who are ineligible to place a wager in this state.

SECTION 12. Tennessee Code Annotated, Section 4-49-114(b)(1), is amended by deleting the word "professional".

SECTION 13. Tennessee Code Annotated, Section 4-49-117(b)(1), is amended by deleting the subdivision and substituting:

(1) The identification of the applicant's key personnel;

SECTION 14. Tennessee Code Annotated, Section 4-49-117(b)(3), is amended by deleting the subdivision and substituting:

Information, documentation, and assurances, as prescribed by rule of the council, that may be required to establish by clear and convincing evidence the good character, honesty, and integrity of the applicant and its key personnel;

SECTION 15. Tennessee Code Annotated, Section 4-49-117(b)(4), is amended by deleting the subdivision and substituting:

(4) Notice and a description of all civil judgments obtained against the applicant or its key personnel;

SECTION 16. Tennessee Code Annotated, Section 4-49-117(b)(5), is amended by deleting the subdivision.

SECTION 17. Tennessee Code Annotated, Section 4-49-117(b)(6), is amended by deleting the subdivision and substituting:

(6) A list of all jurisdictions where the applicant and its key personnel have conducted gaming or sports wagering operations;

SECTION 18. Tennessee Code Annotated, Section 4-49-117(b)(7), is amended by adding the following new subdivision:

(D) If an applicant has not previously been engaged in business operations prior to applying for licensure, the applicant shall submit documents that establish, by clear and convincing evidence, that the applicant has made sufficient arrangements to fund its proposed sports wagering operations.

SECTION 19. Tennessee Code Annotated, Section 4-49-117(f), is amended by adding the following sentence at the end of the subsection:

Ten percent (10%) of all remaining fees must not be distributed in accordance with subsection (g), but must remain available for use by the council for the purposes set forth herein and must carry forward into each subsequent fiscal year.

SECTION 20. Tennessee Code Annotated, Section 4-49-120, is amended by deleting the language "The following persons shall not apply for or obtain a license" and substituting "The council shall not grant a license or approve a registration for an applicant that has one (1) or more of the following individuals associated with it as key personnel".

SECTION 21. Tennessee Code Annotated, Section 4-49-120, is amended by deleting subdivisions (2)-(4) and substituting:

(2) An employee of, coach of, player for, or person who is a member or employee of a governing body of, a sports team, league, or association, upon which wagers are permitted to be placed.

SECTION 22. Tennessee Code Annotated, Section 4-49-123, is amended by deleting the section and substituting:

Members of the council or designated employees or agents of the council may, during normal business hours, enter the premises of a facility of a licensee, registrant, or third party utilized by the licensee to operate and conduct business in accordance with this chapter for the purpose of inspecting books and records kept as required by this chapter, to ensure that the licensee or registrant is in compliance with this chapter, or to make an inspection of the premises necessary to protect the interests of this state and its consumers.

SECTION 23. Tennessee Code Annotated, Section 4-49-124(b), is amended by deleting the subsection and substituting:

(b) A licensee shall report all changes to its key personnel to the council within three (3) business days of the change. A licensee shall complete all key personnel disclosures, including a statement as to any conflict of interest that may exist due to the changes in key personnel, in a manner, form, and at a time specified by rule of the council.

SECTION 24. Tennessee Code Annotated, Section 4-49-124, is amended by deleting subsection (c).

SECTION 25. Tennessee Code Annotated, Section 4-49-126, is amended by deleting subsections (a) and (b) and substituting:

(a) The council may investigate and conduct a hearing with respect to a licensee or registrant upon information and belief that the licensee or registrant has violated this chapter, or upon the receipt of a credible complaint from a person that a licensee or registrant has violated this chapter. The council shall conduct investigations and hearings in accordance with rules adopted by the council.

(b) If the council determines that a licensee or registrant has violated a provision of this chapter or rule of the council, the council may:

(1) Suspend, revoke, or refuse to renew a license or registration; and

(2) For a violation by a licensee or registrant, impose an administrative fine not to exceed twenty-five thousand dollars (\$25,000) per violation.

SECTION 26. Tennessee Code Annotated, Section 4-49-126(d), is amended by adding the following sentence at the end of the subsection:

At the end of the fiscal year, funds still available from fines assessed under this section must remain available for use by the council in a manner consistent with rules of the council and must be carried forward into each subsequent fiscal year.

SECTION 27. Tennessee Code Annotated, Section 4-49-127, is amended by deleting subsection (a) and substituting:

(a) The council, utilizing employees of the council, may:

(1) Conduct investigations or audits to determine whether a licensee is accepting wagers from minors or other persons ineligible to place wagers in this state; and

(2) Conduct investigations to determine whether a person is unlawfully accepting wagers from another person without a license or at a location or in a manner in violation of this chapter.

SECTION 28. Tennessee Code Annotated, Section 4-49-127(c), is amended by deleting the language "license of a licensee" and substituting "license of a licensee or the registration of a vendor".

SECTION 29. Tennessee Code Annotated, Section 4-49-128(a), is amended by deleting the language "A licensee or other person" and substituting "A licensee, registrant, or other person".

SECTION 30. Tennessee Code Annotated, Section 4-49-129(a), is amended by deleting the language "A licensee or other person" and substituting "A licensee, registrant, or other person".

SECTION 31. Tennessee Code Annotated, Title 4, Chapter 49, is amended by adding the following new section:

(a) An applicant to register or renew a registration as a vendor shall submit an application on a form, in such manner, and in accordance with such requirements as may be prescribed by rule of the council.

(b) A vendor registration is valid for three (3) years.

(c) An application to register or renew a registration as a vendor must include the following:

(1) The identification of the applicant's key personnel;

(2) A national criminal background check for each person identified under subdivision (c)(1) conducted by the Tennessee bureau of investigation or another appropriate law enforcement agency. A set of fingerprints must be supplied upon request and in the manner requested by the investigating agency;

(3) Information, documentation, and assurances, as prescribed by rule of the council, that may be required to establish by clear and convincing evidence the good character, honesty, and integrity of the applicant and its key personnel;

(4) Notice and a description of all civil judgments obtained against the applicant or its key personnel;

(5) A list of all jurisdictions where the applicant and its key personnel have engaged in gaming or sports wagering operations or otherwise served as a vendor to a licensee engaged in gaming or sports wagering operations; and

(6) All additional information as may be prescribed by rule of the council.

(d) An applicant for registration as a vendor shall pay a registration fee:

(1) For the first three-year period after registration, if the registration is approved, of one hundred fifty thousand dollars (\$150,000). Fifty thousand dollars (\$50,000) of the fee is due at registration, fifty thousand dollars (\$50,000) of the fee is due on the first anniversary of registration, and fifty thousand dollars (\$50,000) of the fee is due on the second anniversary of registration; and

(2) For the second or subsequent period of registration, a registration fee in an amount prescribed by rule of the council sufficient to defray the operating and administrative expenses incurred in administering and enforcing this chapter. The council shall promulgate rules to set the registration fee structure by July 1, 2023, and shall adjust the fee structure no more often than biennially.

(e) Upon review of the application, the council shall approve or deny an application for registration not more than ninety (90) days after receipt of a completed application.

(f) A vendor may renew its registration by submitting a renewal application on a form, in such manner, and in accordance with such requirements as may be prescribed by rule of the council.

(g) Each vendor approved for registration under this part has a continuing duty to immediately notify the council of all changes in status related to any information that may disqualify the vendor from registration.

(h) All provisions of this chapter and all rules promulgated under the authority of this act apply to registered vendors.

SECTION 32. Tennessee Code Annotated, Section 4-51-135, is amended by deleting subsection (f).

SECTION 33. Tennessee Code Annotated, Section 39-17-501(2)(E), is amended by deleting the language "compiled in title 4, chapter 51, part 3" and substituting "compiled in title 4, chapter 49".

SECTION 34. Tennessee Code Annotated, Section 4-49-102(1), is amended by deleting the subdivision.

SECTION 35. Tennessee Code Annotated, Section 4-49-104(a), is amended by deleting the second sentence of the subsection and substituting:

Notwithstanding another state law to the contrary, a licensee shall only pay a privilege tax on its gross handle in accordance with this section.

SECTION 36. Tennessee Code Annotated, Section 4-49-104(b), is amended by deleting the subsection and substituting:

There is imposed upon the gross handle of a licensee a privilege tax of one and eighty-five one hundredths percent (1.85%).

SECTION 37. Tennessee Code Annotated, Section 4-49-104(c), is amended by deleting the subsection and substituting instead the following:

The tax imposed under this section must be paid monthly by a licensee based on its gross handle for the immediately preceding calendar month, in accordance with rules promulgated by the council. A licensee may deduct from its gross handle the amount of federal excise tax paid each month, in accordance with rules promulgated by the council. A licensee shall not deduct from the gross handle winning payouts to bettors or promotional wagers or payouts. The council shall promulgate rules to specify the method by which a licensee must account for adjustments to the gross handle for wagers that are cancelled or voided and repeal all rules related to the privilege tax on adjusted gross income.

SECTION 38. Tennessee Code Annotated, Section 4-49-104(d), is amended by deleting the language "a vendor" and substituting "an outside contractor".

SECTION 39. Tennessee Code Annotated, Section 4-49-116, is amended by deleting the section.

SECTION 40. Tennessee Code Annotated, Section 4-49-102, is amended by deleting subdivision (17).

SECTION 41. Tennessee Code Annotated, Section 4-49-124(a), is amended by deleting the subsection.

SECTION 42. Tennessee Code Annotated, Section 4-49-117(b), is amended by deleting subdivisions (b)(10) and (11) and substituting:

(10) A nonrefundable application fee in the amount of fifty thousand dollars (\$50,000), and an initial license fee to process the application and for the first year of licensure, if the application is approved, of seven hundred fifty thousand dollars (\$750,000). Upon approval of the application, the application fee of fifty thousand dollars (\$50,000) must be applied to the initial license fee of seven hundred fifty thousand dollars (\$750,000);

(11)(A) Except as provided in subdivision (11)(B), for the second or subsequent year of licensure:

(i) Prior to June 30, 2025, for licensees receiving one hundred million dollars (\$100,000,000) or more in gross wagers in the immediately preceding twelve-month period, a license fee of seven hundred fifty thousand dollars (\$750,000); and

(ii) Prior to June 30, 2025, for licensees receiving less than one hundred million dollars (\$100,000,000) in gross wagers in the immediately preceding twelve-month period, a license fee of three hundred seventy-five thousand dollars (\$375,000); and

(B) The council shall promulgate rules effective July 1, 2025, to set license fees sufficient to defray the operating and administrative expenses incurred in

administering and enforcing this chapter. The council shall adjust the fee structure by rule no more often than biennially; and

(12) Any additional information required by the council by rule.

SECTION 43. This act takes effect July 1, 2023, the public welfare requiring it.

SENATE BILL NO. 475

PASSED: April 21, 2023



RANDY McNALLY
SPEAKER OF THE SENATE



CAMERON SEXTON, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 17th day of May 2023



BILL LEE, GOVERNOR