

110TH CONGRESS  
1ST SESSION

# H. R. 2607

To amend the Internal Revenue Code of 1986 to regulate internet gambling.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 2007

Mr. McDERMOTT introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to regulate  
internet gambling.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Internet Gambling  
5 Regulation and Tax Enforcement Act of 2007”.

6 **SEC. 2. FEDERAL LICENSING REQUIREMENT FOR INTER-**  
7 **NET GAMBLING OPERATORS.**

8 (a) IN GENERAL.—Chapter 36 of the Internal Rev-  
9 enue Code of 1986 (relating to certain other excise taxes)  
10 is amended by adding at the end the following new sub-  
11 chapter:

## 1 **“Subchapter E—Internet Gambling Operators**

“Sec. 4491. Definitions.

### 2 **“SEC. 4491. DEFINITIONS.**

3 “For purposes of this subchapter, the following defi-  
4 nitions shall apply:

5 “(1) DIRECTOR.—The term ‘director’ means  
6 the Director of the Financial Crimes Enforcement  
7 Network.

8 “(2) BET OR WAGER.—The term ‘bet or wager’  
9 shall have the same meaning as in section 5362(1)  
10 of chapter 53 of title 31, United States Code.

11 “(3) LICENSEE.—The term ‘licensee’ shall  
12 mean an Internet gambling operator licensed by the  
13 Director in accordance with this subchapter.

14 “(4) INTERNET.—The term ‘Internet’ means  
15 the international computer network of interoperable  
16 packet switched data networks.

17 “(5) LICENSE FEES.—

18 “(A) LICENSE FEE.—

19 “(i) IN GENERAL.—Each licensee  
20 shall be required to pay to the Director  
21 during each 30-day period of operation a  
22 license fee of 2 percent of all funds depos-  
23 ited with or on behalf of the licensee by

1 any person for the purpose of placing a bet  
2 during the preceding 30-day period.

3 “(ii) DISPOSITION.—Amounts col-  
4 lected by the Director as license fees shall  
5 be deposited in the general fund of the  
6 Treasury and treated as revenue.

7 “(B) DIRECT AND EXCLUSIVE OBLIGATION  
8 OF LICENSEE.—The license fee shall be the di-  
9 rect and exclusive obligation of the licensee and  
10 may not be deducted from the amounts avail-  
11 able as deposits to the person placing a bet.

12 “(6) APPROVAL OF LICENSE.—The Director  
13 shall grant licenses under this subchapter if, in the  
14 Director’s sole discretion, the applicant meets the  
15 criteria set by the Director and is generally fit to en-  
16 gage in the business of Internet gambling.

17 “(7) SAFEGUARDS REQUIRED OF LICENSEE.—  
18 No person shall receive a license under this section  
19 unless the person implements the following require-  
20 ments with respect to any Internet bet or wager—

21 “(A) appropriate mechanisms to ensure  
22 that all taxes relating to Internet gambling due  
23 to Federal and State governments from individ-  
24 uals engaged in Internet gambling are collected

1 at the time of any payment of any proceeds of  
2 Internet gambling;

3 “(B) appropriate mechanisms to ensure  
4 that all taxes relating to Internet gambling due  
5 to Federal and State governments from any  
6 persons licensed under this Act are collected as  
7 required by law; and

8 “(C) appropriate mechanisms to ensure  
9 that the license fee is paid to the Director  
10 under subsection (e).”.

11 (b) CLERICAL AMENDMENT.—The table of sub-  
12 chapters for chapter 36 of such Code is amended by add-  
13 ing at the end the following new subchapter:

“Subchapter E. Internet gambling operators.”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall take effect on January 1, 2008.

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