

Internet Gambling: Republicans block legislation to clarify UIGEA

Contributed by Thomas Jensen
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Giving a blow to the internet gambling industry, a key Congressional Committee reached a stalemate on new regulations to enforce the current ban on online gambling. At a time when the mortgage crisis threatens the very core of our economy, the Republicans said "No" today to an amendment that would have provided relief to Credit Unions and Bank.

An amendment to develop new regulations to enforce the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) was defeated today in a tie vote in the House Committee on Financial Services. The amendment to the Payments System Protection Act, H.R. 5767, offered by Rep. Peter King (R-N.Y.), would have required the U.S. Department of the Treasury and Federal Reserve System, in consultation with the Attorney General, to develop new regulations to implement UIGEA that are less burdensome for U.S. financial services companies.

"It is disappointing that the Republicans would turn their back on the credit unions and banks at a time when the Treasury Department and Federal Reserve says the proposed rules to enforce UIGEA are unworkable," said Jeffrey Sandman, spokesperson for the Safe and Secure Internet Gambling Initiative. "Given the freedom of the Internet, it is foolhardy to impose the current regulations and force U.S. financial service companies to police for illegal activity. Rather than prohibit an activity millions of Americans enjoy to do in their homes, just as they can do in a casino, Congress should create a regulatory framework for Internet gambling as a way to protect consumers and collect billions in much-needed federal revenue that is currently lost in an underground, uncontrolled marketplace."

"It's a bit early to speculate on prospects for this legislation moving forward, but today's display of partisanship might suggest that the bill would stand a better chance if Democrats strengthen their majority in Congress," stated Mark Balestra, Publisher of Interactive Gaming News.

The King amendment responded to concerns raised by U.S. financial services companies about the burden and ambiguity in the proposed rules to implement UIGEA. The updated bill would have required federal regulators to adopt formal rulemaking processes to define unlawful Internet gambling activities, to create a list of unlawful Internet gambling businesses, and to conduct an economic impact study on the costs for compliance. The bill would have also forced the agencies to take into consideration the Paperwork Reduction Act and Regulatory Flexibility Act, current laws the proposed rules to enforce UIGEA failed to address.

Rep. Frank stated before the Committee on Financial Services that Congress is putting the U.S. financial services industry at risk by not clarifying the regulations to enforce UIGEA and defining unlawful Internet gambling activities. "Hijacking the financial payment system at a time when it is under major stress and giving them the job of carrying out an unclear mandate doesn't make sense."

Representatives of the U.S. financial services industry, including the Chamber of Commerce, The Financial Services Roundtable, Credit Union National Association, and National Association of Federal Credit Unions, pledged their support for the Payments System Protection Act and King amendment in letters to Rep. Frank and members of the Committee on Financial Services.

"I wish to be clear that we do not support the notion that financial services companies should be "deputized" to police gambling activity in any form or function," wrote Mr. Steve Barlett, president and CEO of The Financial Services Roundtable. "While we would support the passage of H.R. 5767 as introduced, I agree that the King Amendment makes essential improvements to a deeply flawed law and therefore support its inclusion."

Concerns about the impact of UIGEA were also raised by the Americans for Tax Reform (ATF) and Competitive Enterprise Institute (CEI) in a letter to members of the Committee on Financial Services, which said that "if implemented as proposed in current regulations, UIGEA would have a number of serious, negative consequences for the nation's economy."

Concerns about the proposed rules to implement UIGEA were previously raised at a congressional hearing on April 2, 2008 ("Proposed UIGEA Regulations: Burden without Benefit?") and in hundreds of comments submitted to the Department of the Treasury and Federal Reserve System. Representatives of the Department of the Treasury and Federal Reserve System acknowledged at the hearing the challenges U.S. financial institutions will face in attempting to comply with UIGEA.

Last year, Rep. Frank introduced the Internet Gambling Regulation and Enforcement Act (H.R. 2046) that would

establish a regulatory and enforcement framework for licensed gambling operators to accept bets and wagers from individuals in the U.S. It includes a number of built-in consumer protections, including safeguards against compulsive and underage gambling, money laundering, fraud and identity theft. States would also have the right to control what, if any, level of Internet gambling is permissible within their borders and could apply additional taxes and restrictions.

A companion piece of legislation to the Frank bill introduced by Rep. Jim McDermott (D-Wash.), the Internet Gambling Regulation and Tax Enforcement Act of 2008 (H.R. 5523), would ensure the collection of taxes on regulated Internet gambling activities. According to a tax revenue analysis prepared by PricewaterhouseCoopers, taxation of regulated Internet gambling is expected to generate between \$8.7 billion to \$42.8 billion in federal revenues over its first 10 years.

The Safe and Secure Internet Gambling Initiative promotes the freedom of individuals to gamble online with the proper safeguards to protect consumers and ensure the integrity of financial transactions. For more information on the Initiative, please visit www.safeandsecureig.org. The Web site provides a means by which individuals can register support for regulated Internet gambling with their elected representatives.