

House Copy

OLS Copy  
For Official House Use

Public Copy

**BILL NO.** \_\_\_\_\_

**Date of Intro.** \_\_\_\_\_

**Ref.** \_\_\_\_\_

NOTE TO  
SPONSOR

Notify OLS if you require changes in this document. A revised copy for introduction will be prepared on the legislative computer system. Handwritten changes will not appear in the printed bill.

AN ACT concerning the operation of sweepstakes casinos, supplementing chapter 12 of Title 5 of the Revised Statutes, and amending various parts of the statutory law.

Designates sweepstakes casinos as internet gaming; requires licensure and internet gaming permit for operation of sweepstakes casino; directs Division of Gaming Enforcement to investigate and restrict operation of unauthorized sweepstakes casinos.

PRIME Sponsor \_\_\_\_\_ / \_\_\_\_\_

CO-Sponsor	District	CO-Sponsor	District
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Same as \_\_\_\_\_ 22/23

Same as \_\_\_\_\_ 24/25

AN ACT concerning the operation of sweepstakes casinos, supplementing chapter 12 of Title 5 of the Revised Statutes, and amending various parts of the statutory law.

**BE IT ENACTED** *by the Senate and General Assembly of the State of New Jersey:*

1. Section 12 of P.L.1977, c.110 (C.5:12-12) is amended to read as follows:

12. "Casino Service Industry Enterprise" -- Any vendor offering goods or services which directly relate to casino or gaming activity or Internet gaming activity, including gaming equipment and simulcast wagering equipment manufacturers, suppliers, repairers and independent testing laboratories, or any vendor providing to casino licensees or applicants goods and services ancillary to gaming activity, including, without limitation, junket enterprises and junket representatives, holders of casino hotel alcoholic beverage control licenses, lessors of casino property not required to hold a casino license pursuant to section 82 of P.L.1977, c.110 (C.5:12-82), licensors of authorized games, operators of online sweepstakes casinos and suppliers of Internet gaming software or systems, and vendors who manage, control or administer the Internet games or the bets or wagers associated with the games. Notwithstanding the foregoing, any form of enterprise engaged in the manufacture, sale, distribution, testing or repair of slot machines within New Jersey, other than antique slot machines as defined in N.J.S.2C:37-7, shall be considered a casino service industry enterprise for the purposes of this act regardless of the nature of its business relationship, if any, with casino applicants and licensees in this State.

For the purposes of this section, "casino applicant" includes any person required to hold a casino license pursuant to section 82 of P.L.1977, c.110 (C.5:12-82) who has applied to the division for a casino license or any approval required under P.L.1977, c.110 (C.5:12-1 et seq.).  
(cf: P.L.2013, c.27, s.4)

2. (New section) "Free currency" means tokens or coins of a physical or virtual nature that are used to play a game, but cannot be redeemed for cash, prizes, or other things of value on their own. "Free currency" may be purchased but has no intrinsic value apart from its use for specified games or in specified applications, or until combined with other forms of currency or promotional gaming credits.

3. Section 6 of P.L.2013, c.27 (C.5:12-28.2) is amended to read as follows:

6. "Internet gaming gross revenue" means the total of all sums actually received by a casino licensee from Internet gaming

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

D

R

A

F

T

operations, including the operation of an online sweepstakes casino, less only the total of all sums actually paid out as winnings to patrons. (cf: P.L.2013, c.28, s.6)

4. (New section) “Online sweepstakes casino” means any game, conducted via an Internet website or mobile application that (1) provides participants with an opportunity to play authorized gambling games or provides an experience equivalent to, or with similar statistical odds of winning as an authorized gambling game, except that the game does not require any initial monetary investment on behalf of the participants to play and instead is played primarily with free currency, and (2) awards to participants at random, as a bundle with the purchase of free currency, or upon the completion of certain specified tasks, currency or promotional gaming credits which can be wagered on games and are redeemable for cash, prizes, or other things of value. An online sweepstakes casino may additionally offer tokens, coins, chips, credits, or other forms of currency for purchase or exchange that are directly redeemable for cash, prizes, or other things of value, as does a traditional casino.

5. Section 1 of P.L.2008, c.12 (C.5:12-38a) is amended to read as follows:

1. "Promotional gaming credit" - A slot machine credit, sports wagering credit, match play coupon, table game wager coupon, tokens or coins awarded at random, as a bundle with the purchase of other items, or upon the completion of certain specified tasks, or any other item or award approved by the division that is issued by a licensee to a patron for the purpose of enabling the placement of a wager at a slot machine, a gaming table, or in a sports pool in the licensee's casino or through the licensee's Internet gaming system. No such credit shall be reported as a promotional gaming credit unless the casino licensee can establish that the credit was issued by the casino licensee and received from a patron as a wager at a slot machine, a gaming table, or in a sports pool in the licensee's casino or Internet gaming system.

(cf: P.L.2021, c.314, s.2)

6. Section 92 of P.L.1977, c.110 (C.5:12-92) is amended to read as follows;

92. Licensing of casino service industry enterprises. a. (1) Any business to be conducted with a casino applicant, racetrack, or licensee by a vendor offering goods or services which directly relate to casino, racetrack, sports wagering, or gaming activity, online sweepstakes casino or Internet gaming activity, including gaming equipment and simulcast wagering equipment manufacturers, suppliers, repairers, and independent testing laboratories, and companies that supply sports wagering equipment or services, shall require licensure as a casino service industry enterprise in accordance with the provisions of this act prior to conducting any business

whatsoever with a casino applicant, racetrack, or licensee, its employees or agents; provided, however, that upon a showing of good cause by a casino applicant, racetrack, or licensee, the director may permit an applicant for a casino service industry enterprise license to conduct business transactions with such casino applicant, racetrack, or licensee prior to the licensure of that casino service industry enterprise applicant under this subsection for such periods as the division may establish by regulation. Companies providing services to casino licensees regarding Internet gaming shall, notwithstanding any other provision of P.L.1977, c.110 (C.5:12-1 et seq.), be responsible for the full cost of their licensure, including any investigative costs.

In the case of conducting an online sports pool, as that term is defined in section 1 of P.L.2018, c.33 (C.5:12A-10), a vendor that holds an existing casino service industry enterprise license shall, upon the approval of the division, expand on any initial license granted by the division prior to offering goods or services directly related to sports wagering or online sports wagering activities or operations. The approval shall be in accordance with the terms and conditions set forth by the division.

(2) In addition to the requirements of paragraph (1) of this subsection, any casino service industry enterprise intending to manufacture, sell, distribute, test or repair slot machines within New Jersey, other than antique slot machines as defined in N.J.S.2C:37-7, shall be licensed in accordance with the provisions of this act prior to engaging in any such activities; provided, however, that upon a showing of good cause by a casino applicant or licensee, the director may permit an applicant for a casino service industry enterprise license to conduct business transactions with the casino applicant or licensee prior to the licensure of that casino service industry enterprise applicant under this subsection for such periods as the division may establish by regulation; and provided further, however, that upon a showing of good cause by an applicant required to be licensed as a casino service industry enterprise pursuant to this paragraph, the director may permit the casino service industry enterprise applicant to initiate the manufacture of slot machines or engage in the sale, distribution, testing or repair of slot machines with any person other than a casino applicant or licensee, its employees or agents, prior to the licensure of that casino service industry enterprise applicant under this subsection.

(3) Vendors providing goods and services to casino licensees or applicants ancillary to gaming, including, without limitation, junket enterprises and junket representatives, and any person employed by a junket enterprise or junket representative in a managerial or supervisory position, non-casino applicants or licensees required to hold a casino hotel alcoholic beverage license pursuant to section 103 of P.L.1977, c.110 (C.5:12-103), lessors of casino property not required to hold a casino license pursuant to section 82 of P.L.1977, c.110 (C.5:12-82), and licensors of authorized games shall be

D

R

A

F

T

required to be licensed as an ancillary casino service industry enterprise and shall comply with the standards set forth in paragraph (4) of subsection c. of this section.

b. Each casino service industry enterprise required to be licensed pursuant to paragraph (1) of subsection a. of this section, as well as its owners; management and supervisory personnel; and employees if such employees have responsibility for services to a casino applicant or licensee, must qualify under the standards, except residency, established for qualification of a casino key employee under this act, P.L.1977, c.110 (C.5:12-1 et seq.).

c. (1) Any vendor that offers goods or services to a casino applicant or licensee that is not included in subsection a. of this section including, but not limited to casino site contractors and subcontractors, shopkeepers located within the approved hotels, gaming schools that possess slot machines for the purpose of instruction, and any non-supervisory employee of a junket enterprise licensed under paragraph (3) of subsection a. of this section, shall be required to register with the division in accordance with the regulations promulgated under this act, P.L.1977, c.110 (C.5:12-1 et seq.).

(2) Notwithstanding the provisions of paragraph (1) of this subsection, the director may, consistent with the public interest and the policies of this act, direct that individual vendors registered pursuant to paragraph (1) of this subsection be required to apply for either a casino service industry enterprise license pursuant to paragraph (1) of subsection a. of this section, or an ancillary casino service industry enterprise license pursuant to paragraph (3) of subsection a. of this section, as directed by the division, including, without limitation, in-State and out-of-State sending tracks as defined in section 2 of the "Casino Simulcasting Act," P.L.1992, c.19 (C.5:12-192); shopkeepers located within the approved hotels; and gaming schools that possess slot machines for the purpose of instruction. The director may also order that any enterprise licensed as or required to be licensed as an ancillary casino service industry enterprise pursuant to paragraph (3) of subsection a. of this section be required to apply for a casino service industry enterprise license pursuant to paragraph (1) of subsection a. of this section. The director may also, in his discretion, order that an independent software contractor not otherwise required to be registered be either registered as a vendor pursuant to subsection c. of this section or be licensed pursuant to either paragraph (1) or (3) of subsection a. of this section.

(3) (Deleted by amendment, P.L.2011, c.19)

(4) Each ancillary casino service industry enterprise required to be licensed pursuant to paragraph (3) of subsection a. of this section, as well as its owners, management and supervisory personnel, and employees if such employees have responsibility for services to a casino applicant or licensee, shall establish their good character, honesty and integrity by clear and convincing evidence and shall

D

R

A

F

T

provide such financial information as may be required by the division. Any enterprise required to be licensed as an ancillary casino service industry enterprise pursuant to this section shall be permitted to transact business with a casino licensee upon filing of the appropriate vendor registration form and application for such licensure.

(5) Each casino service industry enterprise required to be licensed pursuant to paragraph (1) of subsection a. of this section that intends to operate an online sweepstakes casino shall submit to an independent third-party audit, at the enterprise's expense, to verify the integrity of their operations and their financial standing prior to receiving a casino service industry enterprise license. As a condition of maintaining a valid license, the operator of an online sweepstakes casino shall conduct and submit to the division, on a bi-annual basis, an updated audit of their operations and financial position.

d. Any applicant, licensee or qualifier of a casino service industry enterprise license or of an ancillary casino service industry enterprise license under subsection a. of this section, and any vendor registrant under subsection c. of this section shall be disqualified in accordance with the criteria contained in section 86 of P.L.1977, c.110 (C.5:12-86), except that no such ancillary casino service industry enterprise license under paragraph (3) of subsection a. of this section or vendor registration under subsection c. of this section shall be denied or revoked if such vendor registrant can affirmatively demonstrate rehabilitation as provided in subsection d. of section 91 of P.L.1977, c.110 (C.5:12-91).

e. No casino service industry enterprise license or ancillary casino service industry enterprise license shall be issued pursuant to subsection a. of this section to any person unless that person shall provide proof of valid business registration with the Division of Revenue in the Department of the Treasury.

f. (Deleted by amendment, P.L.2011, c.19)

g. For the purposes of this section, each applicant shall submit to the division the name, address, fingerprints and a written consent for a criminal history record background check to be performed, for each person required to qualify as part of the application. The division is hereby authorized to exchange fingerprint data with and receive criminal history record information from the State Bureau of Identification in the Division of State Police and the Federal Bureau of Investigation consistent with applicable State and federal laws, rules and regulations. The applicant shall bear the cost for the criminal history record background check, including all costs of administering and processing the check. The Division of State Police shall promptly notify the division in the event a current or prospective qualifier, who was the subject of a criminal history record background check pursuant to this section, is arrested for a crime or offense in this State after the date the background check was performed.

D

R

A

F

T

h. (1) Subsequent to the licensure of any entity pursuant to subsection a. of this section, including any finding of qualification as may be required as a condition of licensure, or the registration of any vendor pursuant to subsection c. of this section, the director may revoke, suspend, limit, or otherwise restrict the license, registration or qualification status upon a finding that the licensee, registrant or qualifier is disqualified on the basis of the criteria set forth in section 86 of P.L.1977, c.110 (C.5:12-86).

(2) A hearing prior to the suspension of any license, registration or qualification issued pursuant to this section shall be a limited proceeding at which the division shall have the affirmative obligation to demonstrate that there is a reasonable possibility that the licensee, registrant or qualifier is disqualified on the basis of the criteria set forth in section 86 of P.L.1977, c.110 (C.5:12-86).

(cf: P.L.2021, c.286, s.1)

7. Section 28 of P.L.2013, c.27 (C.5:12-95.32) is amended to read as follows:

28. a. No organization or commercial enterprise, other than a casino located in Atlantic City or its Internet gaming affiliate that has been issued a permit to conduct Internet gaming and has located all of its equipment used to conduct Internet gaming, including computers, servers, monitoring rooms, and hubs, in Atlantic City, shall make its premises available for placing wagers at casinos using the Internet or advertise that its premises may be used for such purpose. An organization or commercial enterprise that is determined by the division to have violated the provisions of this section shall be subject to a penalty of \$1,000 per player per day for making its premises available for placing wagers at casinos using the Internet and of \$10,000 per violation for advertising that its premises may be used for such purpose.

b. The division is authorized to collaborate with federal, State, and local law enforcement to investigate organizations and commercial enterprises that conduct internet gaming without meeting the requirements established by law. The division may further coordinate with telecommunications providers and any other commercial enterprise deemed necessary to limit access to unauthorized internet gaming in this State.

(cf: P.L.2013, c.27, s.28)

8. Section 33 of P.L.2013, c.27 (C.5:12-95.32) is amended to read as follows:

33. As used in P.L.1977, c.110 (C.5:12-1 et seq.), as amended and supplemented, "Internet gaming affiliate" means a business entity licensed under that act that owns or operates an Internet gaming system, such as an online sweepstakes casino, on the behalf of a licensed casino.

(cf: P.L.2013, c.27, s.33)

D

R

A

F

T

9. This act shall take effect 30 days following the date of enactment.

#### STATEMENT

This bill designates the conduct of an online sweepstakes casino as a form of internet gaming.

As defined by the bill, an “online sweepstakes casino” means any game, conducted via an Internet website or mobile application that (1) provides participants with an opportunity to play authorized gambling games or provides an experience equivalent to, or with similar statistical odds of winning as an authorized gambling game, except that the game does not require any initial monetary investment on behalf of the participants to play and instead is played primarily with free currency, and (2) awards to participants at random, as a bundle with the purchase of free currency, or upon the completion of certain specified tasks, currency or promotional gaming credits which can be wagered on games and are redeemable for cash, prizes, or other things of value. An online sweepstakes casino may additionally offer tokens, coins, chips, credits, or other forms of currency for purchase or exchange that are directly redeemable for cash, prizes, or other things of value, as does a traditional casino.

This bill requires that the operator of any online sweepstakes casino be licensed with the State as a casino service industry enterprise. The enterprise will be required to submit to an independent third-party audit to determine the integrity of its operations and its financial standing as a condition of receiving an initial license and will submit updated audit reports on a bi-annual basis as a condition of maintaining a valid license.

In order to operate a sweepstakes casino, the enterprise, following licensure, will be required to partner with a casino licensee and to obtain an internet gaming permit. Under current law, this is the procedure for authorizing all other internet gaming.

The bill authorizes the Division of Gaming Enforcement to collaborate with federal, State, and local law enforcement to investigate unlawful online sweepstakes casinos. The division will have the authority to work with telecommunication providers and other commercial operators to restrict the accessibility of unauthorized online sweepstakes casinos in New Jersey. Under current law, unlawful internet gaming operators are also subject to penalties of \$1,000 per player per day for making its premises available for placing wagers at casinos using the Internet and of \$10,000 per violation for advertising that its premises may be used for such purpose.

Under the bill, online sweepstakes casino operators that become licensed, partner with a casino licensee, and receive an internet gaming permit will be subject to the same legal requirements and standards of all other internet gaming operators. This includes the

D

R

A

F

T



conduct of background checks for employees, the prohibition on accepting wagers from persons under the age of 21 and the required use of age verification tools, the payment of licensing and permitting fees, and the payment of taxes on all gross internet gaming revenues.

---

Designates sweepstakes casinos as internet gaming; requires licensure and internet gaming permit for operation of sweepstakes casino; directs Division of Gaming Enforcement to investigate and restrict operation of unauthorized sweepstakes casinos.

D

R

A

F

T