

New Internet Gambling Legislation Would Collect Billions in New Revenue

2008-03-06

Congressman Jim McDermott (D-WA) introduced yesterday the Internet Gambling Regulation and Tax Enforcement Act of 2008 that would ensure that taxes are collected on regulated Internet gambling activities.

These revenues are estimated between \$8.7 billion and \$42.8 billion over ten years, according to a recent tax revenue analysis prepared by PricewaterhouseCoopers.

"To be clear, these are not mostly new taxes -- the bulk of the revenues generated would come from taxes required under existing law," said Representative McDermott in a letter circulated last year to all members of Congress. "This is simply a framework to collect taxes on existing activity that is currently unregulated, unsupervised, and underground."

The legislation strengthens provisions in an earlier version of the bill introduced last year, and includes an enhanced reporting mechanism under which licensed gambling operators are required to provide each customer an annual statement of winnings and losses. It also establishes a two percent licensing fee that is paid by the operator, not the individual gambler. The licensing fee is designed to equalize the costs of operation in providing gambling services online, as opposed to brick-and-mortar casinos providing gambling services in-person, and would only be applied to online operators.

"Before us is a tremendous opportunity to protect consumers and recoup billions of dollars that should be collected by the Internal Revenue Service," said McDermott. "These are revenues that are desperately needed, given that we are at war and face difficulty financing the nation's priorities."

McDermott's legislation functions as a companion bill to the Internet Gambling Regulation and Enforcement Act (H.R. 2046), legislation introduced by Representative Barney Frank (D-MA) that would regulate Internet gambling in the U.S. Under the Frank legislation, each Internet gambling operator would be licensed by the Financial Crimes Enforcement Network (FinCEN) and be required to ensure that the individual placing the bet or wager is physically located in a jurisdiction that permits a particular form of Internet gambling. The legislation would also reinforce the rights of States to control what, if any, level of Internet gambling is permissible within their borders, including the ability to apply additional taxes, and to ensure that appropriate consumer protections and limitations were in place.

"By not regulating and taxing Internet gambling, the United States is forfeiting billions of dollars in revenue needed for critical government programs," said Jeffrey Sandman, spokesman for the Safe and Secure Internet Gambling Initiative. "It is time for Congress to address this issue and put in place security controls to protect the millions of Americans that continue to gamble online despite the prohibition."

About Safe and Secure Internet Gambling Initiative

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.

Source: Safe and Secure Internet Gambling Initiative

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