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New Hope for Online Gambling in the U.S....By Hartley Henderson

Last week, Congressman George Miller, Chairman of the House Democratic Policy Committee, put his support behind Barney Frank's Internet Gambling Regulation Bill. Miller is well regarded in Congress by both the Democrats and Republicans and may be the most high profile person to come aboard the pro internet gambling movement. In fact, in a press release to announce Miller's support, a spokesperson for the Safe and Secure Gambling Initiative stated in a press release, "The endorsement of this key legislation by Congressman Miller, one of the most influential leaders on Capitol Hill, further demonstrates the growing support for regulated Internet gambling... We expect continuing momentum in Congress as more people realize that the current approach to prohibit Internet gambling is a failure. Rather than leave consumers vulnerable in an underground, uncontrolled marketplace, regulation of Internet gambling would protect consumers and generate billions in revenue needed for critical government programs." Currently just under 50 Congressmen and Senators have announced their support for Barney Frank's bill and/or Jim McDermott's Internet Gambling Regulation and Tax Enforcement bill. McDermott's bill, unlike Frank's, suggests a 2% tax on any deposits to ensure taxes on winnings are paid to the government.

Miller's endorsement is critical and falls close on the heels of the release of a study by Price Waterhouse Coopers which identified how much money can actually be made from legalized online wagering in the U.S. The study was commissioned by UC Group, a UK based e-payment processing company that clearly would like to get in on the business of payment solutions for U.S. gamblers. It has also been hinted at that the study was urged by UK based gambling companies that have been hard hit by the U.S. withdrawal from the market. Jeff Sandman, a spokesperson for the Safe and Secure Gambling Initiative, suggested that the main reason for the report was to finally put pen to paper. "The UC Group decided it was time to get accurate figures rather than anecdotes so they could move forward with a vigorous analysis." The report looked at 4 scenarios:

1. How much the U.S. could make if Barney Frank's bill was adopted as is
2. How much the U.S. could make if Barney Frank's bill is adopted, but the opt out for sports wagering is not included
3. How much the U.S. could make if Jim McDermott's bill is adopted without a sports wagering opt out
4. How much the U.S. could make if Jim McDermott's bill is adopted with a sports wagering opt out.

According to the findings released by Price Waterhouse Coopers, the U.S. could stand to make a minimum of \$3.1 billion in revenues in the first 5 years of legalization and up to \$8.7 billion in the first 10 years, if they went with the least of the proposals, i.e. Barney Frank's bill with the sports opt out. The study takes in to account that the 10 states that currently make internet gambling illegal will continue to do so. Price Waterhouse Coopers also suggested that if they were to adopt Jim McDermott's bill with a sports wagering opt out, the amount of revenues could go up to \$17.6 billion in the first 10 years with the 10 states not changing their laws. If all states were to come aboard and legalize gambling and if sports leagues were not given the option of not participating, Price Waterhouse estimated the government could make \$42.8 billion in the first 10 years of legalization. The breakdown for how the money would be generated is as follows; 22% from the wagering tax, 18% from licensing fees, 4% from corporate taxes and the majority from income taxes after individuals who currently do not pay taxes on winnings start paying them. McDermott and PWC believe that most individuals who do not pay taxes on offshore winnings fail to do so because they are afraid to tell the government about their "illegal" activities or because they don't understand they have to declare the income since there is no "income slip" provided by offshore companies. If online gambling were treated as a normal business in the U.S., both parties are certain far more individuals would start declaring their online gambling income.

Those amounts clearly are not inconsequential and have perked up the ears of the Democratic candidates that will be looking for a way to pay for all the campaign promises they are making. Raising income taxes in the U.S. nowadays is a non-starter, particularly in a downturn, and while

Frank and McDermott's bill imply a raise in income taxes they are essentially hidden. Gamblers who feel shut out from online gambling today will be only too happy to pay those taxes, while non-gamblers won't notice since it won't affect them. Furthermore, online gambling falls into the "moral group of activities" that the Democrats traditionally believe the government has no business sticking their nose into. This is evident with the way Clinton and Obama voted on issues like stem cell research, gay rights and needle exchange programs. Democratic values have always looked at harm reduction, but not outright prohibition so long as it doesn't harm others. Therefore, if Hillary Clinton, for example, could raise \$48 billion for her Medicare and day care plans, or if Barack Obama could raise a similar amount for his education and energy initiatives, how can they possibly turn a blind eye to the multi billion dollar figures? In fact, a lobbyist with close ties to both candidates mentioned to me off the record that he has it on good authority that one or the other bills will almost certainly be put to the floor by the second term of either candidate. While the lobbyist wasn't overly concerned about being named in this article, he didn't want the issue to have an impact on the upcoming elections unless the candidates bring it forth. "I keep hearing strong rumblings from a large number of Democrats I speak to that they want this bill to go forward," the lobbyist told me. "It also makes logical sense. For this bill to succeed, the new President will need some Republican support (assuming the Democrats win the next election), and the best carrot to wave in front of them is more capital for projects without increasing taxes. Some of the found money may need to be used for projects of interest on the other side, but it will be hard for the Republicans who aren't owned by the Evangelicals to object, and George W, Frist and the lot will be gone."

Jeff Sandman concurred with the lobbyist, but suggested that legalization may not take until a second term. "It is possible that things may occur quicker with the realization by politicians that this is a tight economy and a billion here and a billion there is real money." When asked if the Safe and Secure Gambling Initiative had spoken to either the Obama or Clinton camps, Sandman said it hadn't, but would when the time is right. "Right now the candidates are focused on the top 3 issues, but we will." Sandman added that they would not only be talking with the Democrats, but would also approach the Republicans. "We will need to get the Republicans on board to pass any legislation, and there are a group of Libertarians on the Republican side that will identify with our initiative."

Many industry "experts" believe the real sticking point isn't so much with Congress, but rather with special interest groups spearheaded by the Horse Racing Industry. But if that is indeed true, it sure can't be gauged by the UC report. Phase VII, according to the report, published at e-comlaw.com, a UK based industry newsletter, involved consultation with various groups that were apparently opposed to the legalization of internet wagering. The consultations were to determine reasons for the opposition and what would be needed to bring them aboard. According to the statements in the newsletter Indian Gaming, the AGA and the NTRA have stated no opposition to legalized online gambling, and, if anything, simply want to know how they can cash in on it. This is in sharp contrast to statements made by the current AG's office which wants the public to believe that they are a main reason for the opposition to online gambling. Even the State Attorney's suggested technical concerns about online gambling, but seemed open to discussion if these issues could be resolved. In fact, the only concrete opposition to online gambling was from Christian and Family Groups and from sports leagues.

The religious groups will likely oppose most of the Democrats' social policies, but it is very unlikely that Hillary Clinton or Barak Obama will back down from their stances in the areas of gay rights, stem cell research and abortion just because the churches oppose them. So it is implausible that either will base decisions on internet gambling because of how religious groups feel. Clinton and Obama will be more interested in the opinions of the general public and fellow Democrats than they will of groups like Focus on the Family.

As for sports leagues' opposition, it could be a moot point if the leagues have an opt out from online gambling as is offered in Frank's bill. But even if they are not given that option (as hopefully they won't be since the revenues almost triple if sports betting is allowed), the opposition is unfounded. Sports leagues need to take care of their own business and ensure that games are not open to fixing, which apparently has been the leagues' main objection regarding online gambling. But online gambling is not the culprit for cheating and never will be. The Ted Donaghy fiasco from last year happened because of betting at illegal underground bookmakers, which has been around for almost a century, if not longer. Regardless of whether online gambling is legalized or not, underground bookmaking will continue. Instead the sports leagues would be best advised to work with the online gambling companies to identify patterns that indicate sports fixing to stop the problem in its tracks. UK sports leagues and ATP tennis do that successfully now. In fact the sports leagues can even demand a portion of the \$48 billion to help them with the monitoring.

The goal from here, according to Sandman, is to start a grass roots campaign similar to what the Poker Player's Alliance has done so that Americans who want to gamble online make their voices heard on Capitol Hill. "Barney Frank himself stated that the best way for the legalized online gambling movement to proceed would be for constituents to call their Congressmen and Senators," Sandman stated. The Safe and Secure Gambling initiative in conjunction with UC Group

made the initial moves by consulting with politicians on both side of the floor, as well as special interest groups opposed to the legalization, and they are confident that in the coming months many more high profile politicians like George Miller will throw their support behind either Barney Frank's bill, Jim McDermott's bill or both.

We can only keep our fingers crossed.

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