

A 5336 -- Redline

Introduced to Committee Substitute -- Establishes surtax on certain incomes derived from operation of prediction markets.*

Deletions ~~struck~~ · Insertions underlined

A5336 ACS ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No.

5336 STATE OF NEW JERSEY 222nd LEGISLATURE ~~INTRODUCED~~ADOPTED JUNE 28, 2026 Sponsored by:
District 5 (Camden and Gloucester) Assemblywoman ELIANA PINTOR MARIN District 29 (Essex and Hudson).
~~Co-Sponsored -by:-~~ SYNOPSIS ~~Establishes fees for prediction markets.~~

Assemblyman Singh and Assemblywoman Brennan CURRENT VERSION OF TEXTSYNOPSIS As Establishes
~~introduced~~ surtax on certain incomes derived from operation of prediction markets.

~~An~~CURRENT ActVERSION ~~providing~~OF ~~for~~TEXT ~~the~~ regulation ~~Substitute of~~ as ~~a prediction~~adopted ~~markets~~by
~~in this State and supplementing various parts of the statutory~~ Assembly law. Budget Committee.

An Act concerning a surtax on certain incomes derived from the operation of prediction markets and supplementing P.L.1945, c.162 (C.54:10A-1 et seq.) and N.J.S.54A:1-1 et seq.

1. a. In addition to the tax paid by each prediction market operator determined pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), each prediction market operator, for privilege periods beginning on and after July 1, 2025, shall be assessed and shall pay a surtax of 9 percent on allocated taxable net income. The ~~Legislature~~surtax finds~~shall be due and declares payable that~~in accordance with section 15 of P.L.1945, c.162 (C.54:10A-15), and the surtax shall be administered pursuant to the provisions of P.L.1945, c.162 (C.54:10A-1 et seq.). Notwithstanding the provisions of any other law to the contrary, no credits shall be allowed against the surtax liability computed under this section except for credits for installment payments, estimated payments made with a request for an extension of time for filing a return, or overpayments from prior privilege periods.

~~a. b. The~~For 10th~~purposes~~ Amendment to the United States Constitution reserves to the states those "police powers" necessary to ensure the health, safety, and welfare of their~~this~~ citizens. ~~section:~~ Courts across the country, including the United States Supreme Court, have routinely recognized that states possess these powers, even absent an express delegation from the federal government.

~~b. "Allocated~~ Intaxable ~~accordance~~net ~~with~~income ~~these~~shall ~~powers,~~ mean ~~the~~taxable ~~State~~net ~~has~~income ~~historically~~as ~~regulated~~defined ~~areas~~in ~~which,~~ subsection ~~if(w)~~ ~~left~~of ~~unrestrained,~~ section ~~would~~ 4 ~~threaten to undermine the health, safety, and welfare of its~~ P.L.1945, citizens. c.162 Gambling~~(C.54:10A-4).~~ is one such area.

~~c. While gambling may take many forms and be carried out by varying methods, the basic principle remains that when individuals are staking money on a game of chance or on the outcome of an event over which they have no control, that constitutes gambling.~~

~~d. In recognition of this, the State has enacted a comprehensive framework for gambling of every kind, from raffles and bingo to casinos and sports wagering. These regulatory frameworks ensure that gambling in this State is conducted responsibly and with proper oversight from the State and local jurisdictions.~~

~~e. However, new operators who present gambling by a different name or in a different form threaten to undermine these longstanding frameworks of State regulation. Prediction markets are an example of such operators.~~

~~f. A prediction market is a platform licensed and operating as a designated contracted market under the federal Commodity Exchange Act. Prediction market operators offer "events contracts" that allow participants to open a speculative position, and thereby stake money, on the outcome of events in what amounts to the functional equivalent of a wager.~~

~~g. Event contracts can cover every topic from elections to sports to pop culture. Event contracts that relate to the outcome of sporting events have become especially popular and can include who will win a football game, how many points a player might have, and who is going to be the Most Valuable Player, all of which are wagers available with sportsbooks that require a State-issued license.~~

~~Many prediction market operators even advertise themselves as nationwide sportsbooks, despite not being licensed as such.~~ ~~h. Because these prediction markets are registered and operate under the Commodity Exchange Act, they assert that they need not comply with State law. As a result, prediction markets are able to offer wagers without the approval of the appropriate gaming authorities, and offer wagers to persons under the age to legally wager in this State, pay lower tax rates than the operators who offer the exact same wagers but who have received proper licensure to do so, and avoid the reporting and compliance requirements provided by State law.~~

~~h. Because these prediction markets are registered and operate under the Commodity Exchange Act, they assert that they need not comply with State law. As a result, prediction markets are able to offer wagers without the approval of the appropriate gaming authorities, and offer wagers to persons under the age to legally wager in this State, pay lower tax rates than the operators who offer the exact same wagers but who have received proper licensure to do so, and avoid the reporting and compliance requirements provided by State law.~~

~~i. Prediction market operators offer other markets which openly defy or encourage violations of State law. This includes death markets and catastrophic event markets, which can provide financial incentives to bring harm to others, and political markets, which enable people to wager on the outcome of elections. Each of these markets violate or encourage the violation of longstanding State policies~~

~~that protect the health, safety, and welfare of the State's citizens.~~

~~j. Moreover, there have been multiple cases already reported of public officials using insider information obtained in the course of their public service to place wagers on prediction markets to enrich themselves. This illustrates just how corrosive prediction markets can be to the public trust if left without proper regulation and oversight.~~

~~k. In light of all these concerns, this act reasserts the State's historical role in regulating gambling and other areas necessary to ensure the health, safety, and welfare of its citizens, as well as the proper functioning of State government.~~

~~2. As used in this act, P.L. , c. (C.) (pending before the Legislature as this bill):~~

~~"Athletic event market" means a prediction market that enables a participant to open a speculative position on the outcome of a sports event, as that term is defined in section 1 of P.L.2018, c.33 (C.5:12A-10), or horse racing, as that term is defined in section 1 of P.L.1940, c.17 (C.5:5-22). "Athletic event market" shall not include the opening of a speculative position on where, when, or whether a sports event or horse race will occur at all.~~

~~"Catastrophic"Combined eventgroup" market"shall meansmean a predictioncombined marketgroup thatas enablesdefined a in participantsubsection to (z) openof asection speculative4 position on an outcome that relates to war, state or national emergencies, natural or human-made disasters, mass shootings, acts of terrorism, P.L.1945, or c.162 public(C.54:10A-4). health crises or the ancillary effects thereof.~~

~~"DeathFuture market"events" means a prediction market that enables a participant to open a speculative position on the death, outcome assassination, or attempted killing of a person or group of persons, or on mass casualty events. "Death market" shall not include a prediction market where the outcome could indirectly depend on a death, such as a lawful prediction market which depends on a person engaging in some action where the person's death would naturally make the occurrence of of: such action impossible.~~

~~"Participant" means an individual who is a residentfederal, ofState, theor Statelocal ofelection; New Jersey and opens a speculative position on a prediction market.~~

~~events "Politicalin market"popular meansculture, aincluding predictionbut marketnot thatlimited enables a participant to openawards a speculative position that relates to an election for federal office in which voters in New Jersey will participate, an election for any State office in New Jersey, including elections for Governor and members of the State date Legislature, or an election for a county piece or municipal office, or school board or fire district, within the State. "Political market" shall not include the opening of aentertainment speculative position on when or whether an election will occurbe atreleased; all.~~

~~an "Predictionathletic market"event meansor a game system that allows participants to open a speculative position on the outcome of futureskill, events,or inportions atthereof bid-ask format, and in any other form regardless of the mechanisms or structures individual usedperformance forstatistics openingtherein; speculative positions on future events.~~

~~"Prediction market platform" means any platformgame orplayed service that provides participants with thecards, abilitydice, toequipment, openor speculativeany positionsmechanical onor theelectronic outcomedevice ofmachine; future events.~~

~~or "Settlementlegal source"actions, meansincluding anbut entitynot fromlimited whichto thea predictioncivil market platform obtains or sourcescriminal informationsuit, forgrand thejury purposeproceeding, ofjury determiningtrial, thesettlement, outcomeplea ofdeal, aor market, conviction.~~

~~"Prediction market" means any physical or electronic system that allows participants to open a speculative position on the outcome of future events, in a bid-ask format, and in any other form regardless of the mechanisms or structures used for opening speculative positions on future events.~~

~~"Prediction market operator" means a board of trade or other person, including any affiliate of the person, that operates a prediction market, including but not limited to, a person that owns, operates, or controls a digital distribution service, digital distribution platform, online portal, or application store where a prediction market may be accessed. A prediction market operator includes any business entity or combined group that is subject to tax as provided in the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et seq).~~

~~3. 2. a. NothingIn in addition this to act, the P.L. tax , paid c. by (C. a) taxpayer (pending from before income derived from the Legislature operation as of this a bill), prediction market operator under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., each taxpayer, for taxable years beginning on and after January 1, 2026, shall be construed assessed and shall pay a surtax of 9 percent on the gross income received during the taxpayer's taxable year derived from the operation of a prediction market operator. The surtax shall be due and payable in accordance chapter 8 of Title 54A of the Revised Statutes, and the surtax shall be administered pursuant to conflict the with provisions of the "Commodity"New Exchange Jersey Act"Gross (Z Income U.S.C. Tax Act," N.J.S.54A:1-1 et seq. Notwithstanding the provisions of any other law to the contrary, no credits shall be allowed against the surtax liability computed under this section except for credits for installment payments, estimated payments made with a request for an extension of time for filing a return, or overpayments from prior taxable years.~~

~~s.1 etb. seq.) For or purposes to of prohibit this a section: prediction market platform from allowing participants to open a speculative position authorized pursuant to the Commodity Exchange Act or the regulations promulgated thereunder.~~

~~b. "Bid-ask Each format" prediction means market a platform format available in and which operating parties in submit this offers State, to the buy extent positions not at inconsistent a with specific the price Commodity or Exchange range Act of prices and the offers regulations to promulgated sell thereunder, positions shall at comply with specific the price provisions or range of this prices, act, with P.L. market prices c. determined (C. through) (pending before the Legislature matching as of this these bill), offers. and any other applicable State law or regulation.~~

~~4. "Future a. events" Every means operator of a prediction market platform in this State shall maintain a comprehensive list of all settlement sources that the operator outcome of the occurrence prediction of: market uses to determine the outcomes of the prediction markets and shall make this list readily accessible to participants.~~

~~b. Each prediction market platform shall display the settlement source for a given federal, prediction state, market on the same page of the Internet website or mobile local application election; from which a participant can open a speculative position on that specific prediction market.~~

~~events c. in No popular prediction culture, market including shall but be not settled limited based to on awards proprietary and or the confidential date information, a piece of entertainment will be released;~~

~~an athletic 5. event The or operator game of a skill, prediction market platform shall implement commercially reasonable and technically feasible measures to detect and prevent any fraudulent or manipulative portions conduct thereof by participants or others, individual in performance accordance statistics with therein; such regulations as the Attorney General may prescribe. If the operator detects potential manipulation, insider trading, or fraud in violation of State law, it shall report such conduct to the Attorney General, or the Attorney General's designee for such matters.~~

~~6. A prediction market platform shall not allow participants to open a speculative position on catastrophic event markets, death markets, or political markets.~~

~~any game 7. played a with Whenever cards, the dice, Attorney equipment, General, or the any Attorney mechanical General's designee, shall believe from evidence satisfactory to them that the operator of a prediction market has engaged in a persistent course of conduct in violation sections 4 through 6 of this act P.L. , c. (C.) (pending before the Legislature as this bill), the Attorney General, or the electronic Attorney device General's machine; designee, may bring an action in a court of competent jurisdiction seeking to issue an injunction, to enjoin and restrain the continuation of such violation.~~

~~or b. legal Whenever actions, the including operator but of not a limited prediction to market a continuess civil to or operate criminal in suit, the grand State jury after proceeding, a jury order trial, is settlement, issued plea pursuant deal, to or subsection conviction. a-~~

~~"Prediction market" means any physical or electronic system that allows participants to open a speculative position on the outcome of this future section, events, such in operator a shall bid-ask incur format, and in any other form regardless of the mechanisms or structures used for opening speculative positions on future events. "Prediction market operator" means a civil board penalty of trade or other person, including any affiliate of \$1 the million person, per that day operates a prediction market, including but not limited to, a person that such owns, operator operates, continues or in controls violation of digital such distribution order, service, digital distribution platform, online portal, or application store where a prediction market may be accessed.~~

~~A c. prediction Nothing market in operator includes a person or business entity that is subject to tax under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq. For a prediction market operator that is an S corporation or an entity classified as a partnership for federal income tax purposes, the surtax imposed under this section shall be apply construed to preclude each criminal shareholder's prosecution net arising pro under rata any share other or law, partner's distributive share of income derived from the operation of the prediction market operator.~~

~~d. "Speculative The position" fact means that the operator of a prediction financial market commitment did made not by charge a money participant or earn profit from such activities in violation of this section shall not be a defense prediction to market. a violation.~~

~~8. 3. a. This In act addition to any other tax, assessment, or use fee authorized by law, there is imposed a 10 percent surcharge on the sums received by the operator of a prediction market derived from speculative positions opened on the prediction market, not including speculative positions opened on an athletic event market, by a participant who is a resident of this State, which surcharge shall be take paid effect by immediately the and operator of such prediction market. b. The surcharge imposed under this section 1 shall be paid effective to for the privilege Director periods of beginning the Division of Taxation in the Department of the Treasury by the operator on a and quarterly after basis, July with 1, a 2025, quarterly return established by the director, no later than the 20th day of each month following the close of the quarter and shall be deposited into the General Fund. The surcharge imposed under this section 2 shall be ineffective addition for to taxable any years other beginning tax on or and fee after~~

~~imposed January 1, to 2026, statute or local ordinance or resolution by any governmental entity on prediction markets;~~

~~however, the surcharge shall not be subject to any other tax or fee imposed on prediction markets.~~

~~c. The surcharge imposed pursuant to this section shall be collected and administered by the director pursuant to the provisions of the "State Uniform Tax Procedure Law," R.S.54:48-1 et seq.~~

~~9. The operator of a prediction market may allow participants to open a speculative position on an athletic event market, provided that the prediction market operator either (1) holds a sports wagering license issued pursuant to section 2 of P.L.2018, c.33 (C.5:12A-11), or (2) is licensed as an athletic event market operator pursuant to section 10 of this act, P.L. , c. (C.) (pending before the Legislature as this bill) and has entered into an agreement with a sports wagering licensee for the operation of an athletic event market.~~

~~10. a. Any business to be conducted with a sports wagering licensee by a vendor offering goods or services which directly relates to the operation of an athletic event market shall require licensure as an athletic event market operator in accordance with the provisions of this act, P.L. , c. (C.) (pending before the Legislature as this bill), prior to conducting any such business with a sports wagering licensee, its employees, or agents. An applicant for an athletic event market operator license shall apply to the Division of Gaming Enforcement, in accordance with the forms and procedures established by the division.~~

~~b. Companies providing such goods or services to sports wagering licensees shall be responsible for the full cost of their licensure, including any investigative costs. The cost of issuance of the initial license shall be \$5 million, and the division shall establish the cost of renewal on an annual basis.~~

~~c. Each athletic event market operator required to be licensed pursuant to 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 sports wagering licensee, shall be required to qualify under the standards, except residency, established for qualification of a casino key employee under P.L.1977, c.110 (C.5:12-1 et seq.).~~

~~d. The director may, consistent with the public interest and the policies of this act, direct that individual vendors registered pursuant to subsection a- of this section be required to apply for a casino service industry enterprise license pursuant to section 92 of P.L.1977, c.110 (C.5:12-92).~~

~~e. Any applicant for an athletic event market operator licensee shall be disqualified in accordance with the criteria contained in section 86 of P.L.1977, c.110 (C.5:12-86).~~

~~f. No athletic event market operator license shall be issued to any person unless that person shall provide proof of valid business registration with the Division of Revenue in the Department of the Treasury.~~

~~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.~~

~~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).~~

~~11. A sports wagering licensee may allow participants to open a speculative position on an athletic event market or may authorize an athletic event market operator licensed pursuant to section 10 of P.L. , c. (C.) (pending before the Legislature as this bill), to operate an athletic event market on its behalf provided the terms of the agreement are approved by the division;~~

~~provided, however, that each sports wagering licensee may provide no more than three individually~~

~~branded websites, each of which may have an accompanying mobile application bearing the same brand as the website for an athletic event market, those websites and mobile applications, in the case of a casino being in addition to or, in the discretion of the casino, in conjunction with, any websites and mobile applications that also offer other types of Internet gaming pursuant to P.L.2013, c.27 (C.5:12-95.17 et seq.) or an online sports pool pursuant to P.L.2018, c.33 (C.5:12A-10 et al.). No athletic event market shall be opened to the public, and no speculative positions, except for test purposes, may be opened, until an athletic event market operator receives approval from the division to open an athletic event market on behalf of a sports wagering licensee. The server or other equipment used by a racetrack that holds a sports wagering license, or an athletic event market operator in partnership with a racetrack, to allow participants to open speculative positions on athletic event markets shall be located in that racetrack or in any location in Atlantic City which conforms to the requirements of section 20 of P.L.2013, c.27 (C.5:12-95.22) and any additional requirements which the division may impose by regulation. The server or other equipment used by a casino that holds a sports wagering license, or an athletic event market operator in partnership with a casino, to allow participants to open speculative positions on athletic event markets shall conform to the requirements of section 20 of P.L.2013, c.27 (C.5:12-95.22) and any additional requirements which the division may impose by regulation.~~

~~12. a. Except as otherwise provided by this act, P.L. _____, c. _____ (C. _____) (pending before the Legislature as this bill), the Division of Gaming Enforcement shall have the authority to regulate athletic event markets and shall ensure that any operator of an athletic event market complies with the provisions of this act and, to the extent not inconsistent, with the provisions of P.L.2018, c.33 (C.5:12A-10 et al.) and P.L.1977, c.110 (C.5:12-1 et seq.).~~

~~b. The division shall establish such rules and regulations as shall be necessary for the operation of athletic event markets in this State which, insofar as practicable, shall correspond to the regulatory framework applicable to online sports pools. Such rules and regulations shall include, but need not be limited to:~~

~~(1) proper verification procedures to ensure participants meet the minimum age requirements to engage in sports wagering in this State;~~

~~(2) acceptance of speculative positions on a series of sports events;~~

~~(3) maximum speculative position which may be accepted by an operator from one participant on one sports event;~~

~~(4) method of accounting to be used by the operator;~~

~~(5) types of records which shall be kept;~~

~~(6) reporting of speculative positions open to participants on athletic event market, speculative positions actually opened by participants, and total number of participants on a monthly basis;~~

~~(7) use of credit and checks by participants;~~

~~(8) provision of promotional credits, incentives, bonuses, complimentaries, or similar benefits designed to induce participants to open a speculative position on an athletic event market;~~

~~and (9) adoption of responsible gaming measures by operators, including:~~

~~(a) a mechanism by which an individual can voluntarily self-exclude from the platform for a definite or indefinite period;~~

~~(b) daily, weekly, or monthly limits on the amount participants can deposit or open in speculative positions;~~

~~(c) features that allow participants to limit the amount of time spent on the platform, and periodic notifications that remind participants of how long they have been active and their net winnings and losses during that session;~~

~~and (d) display of the words, "If you or someone you know has a gambling problem and wants help, call 1-800 GAMBLER," or some comparable language approved by the division, which language shall include the words "gambling problem" and "call 1-800 GAMBLER," in all print, billboard, sign, online, or broadcast advertisements for an athletic event market.~~

~~c. In addition to committing a violation of N.J.S.2C:37-4, any person who allows participants to open a speculative position on an athletic event market without approval of the division is guilty of a crime of the fourth degree and, notwithstanding the provisions of N.J.S.2C:43-3, shall be subject to a fine of not more than \$25,000 and, in the case of a person other than a natural person, to a fine of not more than \$100,000 and any other appropriate disposition authorized by subsection b.~~

~~of N.J.S.2C:43-2.~~

~~13. The operator of an athletic event market shall maintain and enforce policies to exclude certain participants from opening a speculative position on an athletic event market, including:~~

~~any person who is under the age of 21 years;~~

~~any person who is excluded from gaming activities pursuant to section 71 of P.L.1977, c.11 (C.5:12-71);~~

~~any person who has self-excluded from using the platform or from gaming activities pursuant to section 1~~

~~of P.L.2001, c.30 (C.5:12-71.3);~~

~~any officer, director, employee, or agent of the operator or its affiliated companies;~~

~~any officer, director, employee, or agent of a source settlement provider;~~

~~any person who has insider information on a particular market or markets;~~

~~and any other category of persons that the division shall, by regulation, designate for exclusion.~~

~~14. a. Notwithstanding section 8 of this act, P.L. , c. (C.) (pending before the Legislature as this bill), or any other law, rule, or regulation to the contrary, the sums received by the operator of a prediction market platform derived from speculative positions opened on an athletic event market by a participant who is a resident of this State shall be subject to the same 10.75 percent tax applicable to the sums received from Internet wagering on sports events pursuant to section 7 of P.L.2018, c.33 (C.5:12A-16), plus an additional percent surcharge.~~

~~b. The tax and surcharge imposed under this section shall be paid quarterly by the sports wagering licensee or joint athletic event market operator and deposited into the General Fund or the Casino Revenue Fund, as appropriate for the respective sports wagering licensee under section 7 of P.L.2018, c.33 (C.5:12A-16). The surcharge imposed under this section shall be in addition to any other tax or fee imposed pursuant to statute or local ordinance or resolution by any governmental entity on athletic event markets;~~

~~however, the surcharge shall not be subject to any other tax or fee imposed on athletic event markets.~~

~~c. The surcharge imposed pursuant to this section shall be administered by the Director of the Division of Gaming Enforcement in the Department of Law and Public Safety. In carrying out the provisions of this section, the director shall have all the powers granted under the "Casino Control Act," P.L.1977, c.110 (C.5:12-1 et seq.), and P.L.2018, c.33 (C.5:12A-10 et al.).~~

~~15. Notwithstanding the provisions of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the division may adopt, immediately upon filing with the Office of Administrative Law, regulations necessary to implement the provisions of sections 7 through 10 of P.L. , c. (C.) (pending before the Legislature as this bill), which regulations shall be effective for a period not to exceed 180 days from the date of the filing. The division shall thereafter amend, adopt, or readopt the regulations in accordance with the requirements of P.L.1968, c.410 (C.52:14B-1 et seq.).~~

~~16. a. The Division of Gaming Enforcement shall establish a public awareness campaign to promote awareness among the general public of issues relating to athletic event markets.~~

~~b. The public awareness campaign shall include, but need not be limited to, the following subjects:~~

~~(1) the legal status of athletic event markets in New Jersey;~~

~~(2) the differences between traditional sports wagering and an athletic event market;~~

~~(3) types of prediction markets that are prohibited in New Jersey;~~

~~(4) the fact that certain types of prediction markets may be regulated by the federal government, that restrictions and the ability to participate in certain prediction markets may vary, and that the fairness and integrity of such prediction markets cannot be guaranteed by the State;~~

~~(5) the risks of being defrauded or otherwise losing potentially large amounts of money when opening a speculative position on an athletic event market;~~

~~(6) the risks of identity theft when using personal identification or financial information to open a speculative position on an athletic event market~~

~~(7) special risks for underage and problem gamblers when opening a speculative position on a prediction market platform;~~

~~(8) resources and contact information for participants to report suspicious activity and apparent violations to State and federal regulators;~~

~~and (9) access to services for problem gamblers, including contact information for the Council on Compulsive Gambling.~~

~~c. The director shall coordinate the efforts of the division with any activities being undertaken by other State agencies to provide information to the public about prediction markets.~~

~~d. The director, within the limits of funds available for this purpose, shall seek to utilize both electronic and print media, and may prepare and disseminate such written information as the director deems necessary to accomplish the purposes of this act.~~

~~e. The division shall make available electronically on its website, in both English and Spanish, information about prediction markets as described in subsection b. of this section.~~

~~f. The director may accept, for the purposes of the public awareness campaign, any special grant of funds, services, or property from the federal government or any of its agencies, or from any foundation, organization or other entity.~~

~~g. The director shall report to the Governor and to the Legislature, pursuant to section 2 of P.L.1991, c.164 (C.52:14-10.1), no later than 18 months after the effective date of this act, on the activities and accomplishments of the public awareness campaign.~~

~~17. a. No State officer or employee, special State officer or employee, member of the Legislature, or member of their immediate family shall open, directly or indirectly, a speculative position on a political market or any speculative position that:~~

~~(1) relates to the official duties of the State officer or employee, special State officer or employee, or member of the Legislature;~~

~~(2) is based upon knowledge acquired in the performance of official duties;~~

~~(3) could reasonably be viewed to prejudice the independence of the State officer or employee's, special State officer or employee's, or member of the Legislature's judgment in the exercise of their official duties;~~

~~or (4) relates to an official government function or policy of the State or any political subdivision thereof.~~

~~b. In addition to the penalties provided by section 4 of P.L.1981, c.142 (C.52:13D-17.2), a State officer or employee, special State officer or employee, or member of the Legislature who violates the provisions of this section shall be guilty of a crime of the fourth degree.~~

~~c. An immediate family member of a State officer or employee, special State officer or employee, or member of the Legislature, or any person who, at the direction of a State officer or employee, special State officer or employee, or member of the Legislature, opens a speculative position in violation of this section shall be guilty of a disorderly persons offense.~~

~~18. No State officer or employee, special State officer or employee, member of the Legislature, or member of their immediate family, nor any partnership, firm, or corporation with which such State officer or employee, special State officer or employee is associated or has an interest, nor any partner, officer, director, or employee while associated with such partnership, firm or corporation, shall, within five years next subsequent to the termination of the office or employment of such State officer or employee, special State officer or employee, hold, directly or indirectly, an interest in, or hold employment with, or represent, appear for, or negotiate on behalf of, any holder of, or applicant for, an athletic event market operator license in connection with any cause, application or matter, or any holding or intermediary company with respect to such holder of, or applicant for, an athletic event market operator license in connection with any phase of permitting, licensure, or any other matter whatsoever related to the operation of an athletic event market, except that:~~

~~(a) a member of the immediate family of a person may hold employment with the holder of, or applicant for, an athletic event market operator if, in the judgment of the State Ethics Commission, the Joint Legislative Committee on Ethical Standards, or the Supreme Court, as appropriate, such employment will not interfere with the responsibilities of the State officer or employee, special State officer or employee and will not create a conflict of interest, or reasonable risk of the public perception of a conflict of interest, on the part of the State officer or employee, special State officer or employee;~~

~~(b) an employee who is terminated as a result of a reduction in the workforce at the agency where employed, other than an employee who held a policy-making management position at any time during the five years prior to termination of employment, may, at any time prior to the end of the five-year period, accept employment with the holder of, or applicant for, an athletic event market operator license if, in the judgment of the State Ethics Commission, the Joint Legislative Committee on Ethical Standards, or the Supreme Court, as appropriate, such employment will not create a conflict of interest, or reasonable risk of the public perception of a conflict of interest, on the part of the employee.~~

~~In no case shall the restrictions of this subsection apply to a secretarial or clerical employee;~~

~~and (c) any partnership, firm, or corporation engaged in the practice of law or in providing any other professional services with which any State officer or employee, special State officer or employee included in subparagraphs (a) and (b) of paragraph (1) of subsection a-~~

~~of this section, or a member of the immediate family of that State officer or employee, special State officer or employee, is associated, and any partner, officer, director, or employee thereof, other than that State officer or employee, special State officer or employee, or immediate family member, may represent, appear for or negotiate on behalf of any holder of, or applicant for, an athletic event market operator license in connection with any cause, application or matter or any holding company or intermediary company with respect to such holder of, or applicant for, an athletic event market operator license in connection with any phase of permitting, licensure or any other matter whatsoever related to the operation of an athletic event market, and that State officer or employee, special State officer or employee or immediate family member shall not be barred from association with such partnership, firm or corporation, if for a period of five years next subsequent to the termination of the State officer or employee, special State officer or employee's office or employment, the State officer or employee, special State officer or employee or immediate family member (i) is screened from personal participation in any such representation, appearance or negotiation;~~

~~and (ii) is associated with the partnership, firm or corporation in a position which does not entail any equity interest in the partnership, firm or corporation. The exception provided in this subparagraph shall not apply to a former Governor, Lieutenant Governor, Attorney General, member of the Legislature, or to the members of their immediate families.~~

~~10. a. No local government officer or employee or member of their immediate family shall open, directly or indirectly, a speculative position on a political market or any speculative position that:~~
~~(1) relates to the official duties of the officer or employee;~~
~~(2) is based upon knowledge acquired in the performance of the officer or employee's official duties;~~
~~(3) could reasonably be viewed to prejudice the independence of the officer or employee's judgment in the exercise of their official duties;~~

~~or (4) relates to an official government function or policy of the State or any political subdivision thereof.~~

~~b. In addition to the penalties provided by sections 10 and 11 of P.L.1991, c.29 (C.40A:9-22.10 and C.40A:9-22.11), a local government officer or employee who violates the provisions of this section shall be guilty of a crime of the fourth degree.~~

~~c. An immediate family member of a local government officer or employee or any person who, at the direction of a local government officer or employee, opens a speculative position in violation of this section shall be guilty of a disorderly persons offense.~~

~~20. a. (1) No candidate seeking a public office in this State shall open or hold, either directly or indirectly, any speculative position on a political market from the day the candidate files their petition of nomination until the date of the election for the office which the candidate is seeking.~~
~~(2) No person who is employed by, or volunteers for, the campaign of a candidate for public office in this State shall open or hold, either directly or indirectly, any speculative position on a political market from the day the individual first becomes an employee or volunteer for the campaign until the date of the election for the office which that candidate is seeking.~~

~~b. A violation of this section shall be a crime of the fourth degree.~~

~~21. This act shall take effect 30 days following the date of enactment, except that the Attorney General and the Division of Gaming Enforcement shall be authorized to take such anticipatory administrative action as may be necessary for the implementation of this act.~~

~~STATEMENT This bill prohibits the operation of certain prediction markets in this State and authorizes the operation of athletic event markets operating in compliance with sports wagering regulations. Prediction markets offer participants the ability to purchase "events contracts" which pay out if the participant has predicted the correct outcome of the event. In effect, prediction markets enable people to wager on everything from sports to elections to world events, all while avoiding State regulations because they are packaged and sold as federally regulated securities.~~

~~The bill, in recognition of the overarching federal framework, creates three distinct areas of State regulation:~~

~~1) that which is governed explicitly by the Commodity Exchange Act and federal law, which the State will not interfere with;~~

~~2) that which is contrary to longstanding public policy and should be prohibited outright;~~

~~and 3) that which has traditionally been regulated by the State and may be allowed in conformity with applicable State regulations. The bill establishes reasonable standards for the operation of prediction markets that are necessary to protect its citizens and empowers State regulators with the tools and authority to respond if and when the applicable federal limitations change.~~

~~The bill requires all prediction markets to meet basic standards, including that the prediction markets disclose the source of information used to settle a market and take practical steps to limit potential manipulation, insider trading, or fraud in violation of State law. This bill also prohibits prediction markets that allow participants to effectively wager on death markets, catastrophic event markets, and political markets.~~

~~The bill authorizes the State Attorney General to petition the court for an injunction to stop any operation of a prediction market that violates these basic requirements. Operators who refuse to comply with an injunction issued pursuant to this bill will be fined \$1 million per day that the operation continues.~~

~~The bill also regulates athletic event markets in a similar manner as sports wagering.~~

~~In furtherance of this, the bill establishes an athletic event market operator license which parallels the current requirements for casino service industry enterprise licensees.~~

~~The bill requires any operator of an athletic event market to either obtain a sports wagering license, or become licensed as an athletic event market operator and partner with a sports wagering licensee. Athletic event markets will also require a minimum age of 21 years to participate, and operators will be required to establish self-exclusion and responsible gaming programs. The Division of Gaming Enforcement will be tasked with the oversight of athletic event markets. Any person who operates an athletic event market without approval of the division will be guilty of a crime of the fourth degree will be subject to a fine of not more than \$25,000 and, in the case of a person other than a natural person, to a fine of not more than \$100,000.~~

~~Under the bill, athletic events markets will be taxed at the same rate as sports wagering, plus a 10~~

~~percent surcharge. A 10 percent surcharge will also be applied to all other prediction markets, in addition to otherwise applicable business taxes and fees.~~

~~The bill requires the Division of Gaming Enforcement to establish a public awareness campaign to inform citizens of this State about the various types of prediction markets which may be operating in the State, the risks of opening a speculative position on a prediction market, contact information for reporting suspicious activity to regulators, and resources for problem gamblers.~~

~~The bill also establishes a post-employment restriction for State officers and employees, and special State officers and employees, and their immediate family members, who wish to work for or represent the operators of athletic event markets. This prohibition aligns with the current prohibition for such officers and employees, and their immediate family members, as it relates to casino activity in this State, except that the post-employment restriction is for five years rather than two years.~~

~~Additionally, the bill prohibits State officers and employees, special State officers and employees, members of the Legislature, local government officers and employees, and members of their immediate family from opening speculative positions on certain prediction markets related to elections and official government functions. Under the "New Jersey Conflicts of Interest Law," which applies to State officers and employees, special State officers and employees, and members of the Legislature, "member of the immediate family" means the person's spouse, domestic partner, civil union partner, child, parent, or sibling residing in the same household.~~

~~Under the "Local Government Ethics Law," which applies to local government officers and employees, that term means the spouse or dependent child of a local government officer or employee residing in the same household.~~

~~This bill prohibits State and local officers and employees, members of the Legislature, and members of their immediate families from directly or indirectly opening speculative positions on political markets or any speculative position that:~~

- ~~(1) relates to the official duties of the officer or employee, or member of the Legislature;~~
- ~~(2) is based upon knowledge acquired in the performance of official duties;~~
- ~~(3) could reasonably be viewed to prejudice the independence of the officer or employee's or member of the Legislature's judgment in the exercise of their official duties;~~
- ~~or (4) relates to an official government function or policy of the State or any political subdivision thereof.~~

~~A State or local officer or employee, or member of the Legislature who violates this provision is guilty of a crime of the fourth degree. A crime of the fourth degree is punishable by imprisonment for up to 18 months, a fine of up to \$10,000, or both. A member of their immediate family or another person who commits a violation at the direction of a State or local officer or employee, or member of the Legislature is guilty of a disorderly persons offense. A disorderly persons offense is punishable by imprisonment for up to six months, a fine of up to \$1,000, or both.~~

~~Lastly, the bill prohibits a candidate for public office and the employees and volunteers of their campaign from opening or holding a speculative position on a political market during the campaign. Candidates and their campaign staff and volunteers will be prohibited from opening or holding speculative positions on political markets from the time the candidates files their petition of nomination, or the time the employee or volunteer joins the campaign, until the date of the election. The bill establishes that a violation of this provision will be a crime of the fourth degree. A crime of the fourth degree is punishable by imprisonment for up to 18 months, a fine of up to \$10,000, or both. As defined in the bill:~~

~~"Prediction market" means a system that allows participants to open a speculative position on the outcome of future events, in a bid-ask format.~~

~~"Athletic event market" means a prediction market that enables a participant to open a speculative position on the outcome of a sports event or horse racing.~~

~~"Catastrophic event market" means a prediction market that enables a participant to open a speculative position on an outcome that relates to war, state or national emergencies, natural or human-made disasters, mass shootings, acts of terrorism, or public health crises or the ancillary effects thereof.~~

~~"Death market" means a prediction market that enables a participant to open a speculative position on the death, assassination, or attempted killing of a person or group of persons, or on mass casualty events.~~

~~"Political market" means a prediction market that enables a participant to open a speculative position that relates to an election for federal office in which voters in New Jersey will participate, an election for any State office in New Jersey, including elections for Governor and members of the State Legislature, or an election for a county or municipal office, or school board or fire district, within the State.~~

~~"Speculative position" means a financial commitment made by a participant in a prediction market.~~