

# US tries its luck easing online gambling stand

March 1 2012, by Rob Lever

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A man plays poker on an Internet gaming site from his home in Manassas, Virginia. Despite a new crackdown on Internet gambling this week, the US government appears to be easing its stand on many forms of online betting, prompting states to swing into action to tap a new revenue source.

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The turnabout by Washington came quietly in December when the Justice Department released an opinion stating that only sports betting should be prohibited under a 1961 federal law known as the Wire Act.

This opens the door to online poker, which is hugely popular on the

Internet, and possibly other casino games along with state lotteries, say analysts.

The opinion is a marked reversal from Washington, which previously maintained that all online wagering aside from horse racing was a violation of US federal law -- a stand which prompted a complaint at the [World Trade Organization](#).

Ken Adams, a Nevada-based gaming industry consultant, said the opinion was "quite possibly the most important event of 2011 for the [gaming industry](#)... theoretically creating a legal path for all other forms of wagering on the Internet."

Adams said that by saying sports betting is illegal, "that automatically means everything else is legal."

He said it was confusing to see news this week that US authorities seized the [gambling](#) website Bodog and announced the indictment of four Canadians on charges of illegal sports betting and [money laundering](#).

But despite this, Adams and other analysts say there is now a path ahead for Internet gambling in the United States, if legislation is passed by individual states to enable this.

Nevada has already approved such a measure to allow online gambling by residents within the state and other states that pass enabling legislation.

I. Nelson Rose, a Whittier Law School professor and industry consultant, said he believes at least a handful of states may legalize Internet poker or lottery sales this year based on the [Justice Department](#) ruling.

He said it may take some time to work out licensing and regulations, and

possibly more time to determine procedures for gambling across state lines. Eventually, he said states could work out reciprocal arrangements with other countries or jurisdictions.

"State legislators and governors are desperate to find ways to raise revenue without raising taxes," said .

"Gambling is seen as a painless tax, so every state is looking into expanding legal gaming. They can now do so. The only exception is sports betting, which cannot be introduced into a state that does not already have it, due to a different federal statute."

The American Gaming Association estimates that online gambling generates \$30 billion a year worldwide, and that states could collect up to \$2 billion in tax revenue with some online games.

But some say the stakes could be much higher.

The potential revenue "is a number we don't know, but it's going to be much higher than anyone expects," Adams said.

"In a normal casino context, 80 percent of people will play slot machines, and about 80 percent of the population of the US has a propensity to make a wager," says Adams. "That's as big as the movies."

The United States had been a major market for global-based online gambling firms, but during the crackdown in recent years, "most of the big companies said they lost 60 to 70 percent of their revenue," said Adams.

Some say the situation won't be clear until Congress passes legislation to set guidelines and safeguards for online gaming.

"We need Congress to make clear" what is legal, says Mark Lipparelli, chairman of the Nevada Gaming Control Board.

"Federal regulation is the best way to ensure that the best protections are in place to protect consumers, and will ensure there is not confusion because of different state regulations," said Michael Waxman of the Safe and Secure Internet Gambling Initiative, which represents financial firms with a stake in online gaming.

The latest move by the US government leaves unresolved the issue of a longstanding dispute with the Caribbean nation of Antigua and Barbuda, a gaming haven which filed a WTO complaint against Washington for unfairly restricting trade -- and won.

Waxman said that in order to comply with the WTO, "federal legislation would need to be passed to create a level playing field. It remains to be seen whether that's going to be accomplished."

Antigua said in February it would "re-engage" the WTO on the dispute.

"Now that the entire basis for the United States objection to allowing our trade in remote gaming services has gone away, it is increasingly impossible to understand why the [United States](#) has not complied with this decision," Antigua Finance Minister Harold Lovell said.

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