Department of Finance and Administration

Legislative Impact Statement

Bill: HB1349Amendment Number: H1Bill Subtitle: CONCERNING PAID ESPORTS TOURNAMENTS.

Basic Change :

Sponsors: Reps. Ray and Flowers; Sen. J. Dotson

House Amendment No. 1 --- HB1349-H1 (engrossed H2/15/23) clarifies certain sections of the bill as follows:

HB1349-H1 clarifies that income earned at esports tournaments is taxable for state income tax purposes.

HB1349-H1 clarifies that the definition of esports does not include a house-banked game in which participants compete or play against the house or a casino-style gambling game or other gambling game customarily offered at a casino. The amendment clarifies that wagering on the outcome of an esports tournament is not authorized by the bill and that only casinos licensed and regulated by the Arkansas Racing Commission may conduct wagering on the outcome of an esports tournament.

The amendment replaces "participant" and "participates" with "competitor" and "competes" throughout the bill. The amendment also clarifies that the definition of "paid esports tournament" is limited to only include esports events.

Original Bill ---- HB1349 creates a new chapter in Arkansas Code concerning esports and esports tournaments. "Esports" is defined as a multiplayer competition using video gaming consoles, computers, and other electronic devices. Tournaments can be nonpaid or paid.

A "nonpaid esports tournament" is defined as:

- An esports event organized by an educational institution, charity, nonprofit, or other institution that awards nonmonetary prizes; or
- An event that does not require an entry or venue fee to participate in esports.

A "paid esports tournament" is defined as any esports event facilitated by an esports tournament organizer for a cash prize or monetary compensation if an esports tournament participant is required to pay an entry or venue fee to participate. A paid esports tournament includes any esports tournament or contest in which:

- The value of all prizes and awards offered to the winners of the tournament and the method of prize determination are established in advance of the tournament or contest;
- All winning outcomes reflect the relative knowledge and skill of the esports tournament participants and are determined by the results of the performance of esports tournament participants;
- A winning outcome is determined by the results of fully completed contests or events and not merely a portion of a contest or event, except that a participant may be credited for results in a suspended or shortened contest or event that has been suspended or shortened by a decision of the esports tournament organizer on account of weather or other natural or unforeseen events; and
- Each participant is required to pay an entry fee to participate with cash or a cash equivalent.

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An "esports tournaments organizer" is a person who:

- Is engaged in the business of professionally conducting paid esports tournaments for cash prizes for members of the general public; and
- Requires cash or cash equivalent as an entry fee to be paid by a member of the general public who participates in a paid esports tournament.

HB1349 exempts esports tournaments from Arkansas criminal law that prohibits gambling, § 5-66-101 et seq.

Revenue Impact :

None.

Taxpayer Impact :

A taxpayer competing in a paid or nonpaid esports tournament will not be considered as engaged in illegal gambling in violation of Arkansas law. Income earned by a competitor or esports tournament organizer as a result of a paid esports tournament will be taxable.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

None.

Other Comments :

The bill specifically states that income earned by esports tournament competitors or organizers is taxable. However, this income would already be considered as taxable.

Legal Analysis :

HB1349-H1 (engrossed H2/15/23) contains a drafting error on page 2, line 27. The word "competes" should read "compete."