

Maryland Lottery and Gaming Control Agency



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TO: Chair Guy Guzzone

FROM: Jennifer Beskid, Director Legislation and Policy

DATE: January 28, 2026

SUBJECT: Support - Senate Bill 112, Gaming – Prohibition on Interactive Games and Revenue From Illegal Markets

Senate Bill 112, *Gaming – Prohibition on Interactive Games and Revenue From Illegal Markets*, would update Maryland Criminal Law to respond to the proliferation of illegal online gaming, and would authorize the Maryland Lottery and Gaming Control Agency (Agency) to consider Maryland-licensed casinos, fantasy competitions, and sports wagering licensees' involvement in illegal online gaming as a potential gaming license disqualification. These tools are critical for the State's effective and collaborative response to the serious problem of illegal online gaming.

Together with the Maryland Lottery and Gaming Control Commission (Commission), the Agency is required to regulate and oversee traditional lottery, casinos, fantasy competitions and sports wagering, to account for their proceeds, to issue all licenses and registrations for these gaming activities. The ONLY Internet-based (online) gaming activity that is legal in Maryland is mobile sports wagering and fantasy sports competitions that is conducted by licensed mobile sports wagering operators and registered online fantasy competition operators. Currently, there are only 12 mobile sports wagering licensees and 14 registered online fantasy competition operators. <https://www.mdgaming.com/legal-vs-illegal-online-gaming/>.

All other online gaming that offers real money prizes is unauthorized by law and therefore illegal, but is readily available on mobile devices in Maryland. For example: Go into the App Store on a phone and type in "sports wagering" as the search term; the results far exceed the 26 legal online offerings currently authorized in Maryland. Illegal online games award real-money prizes, and simulate casino-style games (slots, roulette, poker, etc.), lottery games (draw games, keno, bingo, etc.), fantasy competitions, and sports wagering.

Illegal gaming proliferates in Maryland and throughout the U.S. The online gaming problem is explained in the December 2025 *JCR Report on Illicit Gaming*, which the Agency submitted jointly with the Office of the Maryland Attorney General. The *JCR Report* describes the serious consumer protection and fiscal issues created by unchecked illegal online gaming. According to the August 2025 report by the American Gaming Association, *Sizing the Illegal and Unregulated Gaming Markets in the United States*¹, "Americans now wager over \$673 billion each year with illegal and unregulated gambling operators, costing the legal gaming industry an estimated \$54 billion in annual revenue and depriving state governments of more than \$15 billion in tax receipts."

¹ <https://www.americangaming.org/wp-content/uploads/2025/08/Illegal-Market-Research-Report.pdf>

SUMMARY OF THE U.S. ILLEGAL AND UNREGULATED MARKET (\$BILLIONS)²			
UNREGULATED MARKET	ESTIMATED HANDLE	ESTIMATED REVENUE	ESTIMATED STATE GAMING TAX REVENUE LOSS
Sports Betting (includes Bookies and Offshore)	\$84.0	\$5.0	\$1.0
Online Slots and Table Games	\$466.2	\$18.6	\$4.8
Unregulated Machines in Bars, Taverns, etc.	\$123.4	\$30.3	\$9.5
TOTAL	\$673.6	\$53.9	\$15.3
Estimated Number of Skill/Gray Machines		625,316	

Tax rates for loss estimate are AGA estimates of average tax rates for each vertical across legal states: Sports – 20.3%, Online Slots and Table Games – 25.8%, Machines – 31.4%

SB 860 from the 2025 Session focused on illegal online gaming styled as “sweepstakes,” where players can earn virtual coins or tokens that can be converted to cash. In early 2025, a new form of unauthorized online gaming emerged: predictive market event contracts on the outcomes of sporting events. These contracts constitute unlicensed sports wagering. State gaming regulators’ orders to cease and desist these offerings are the subject of litigation pending in several federal circuit and state courts. Maryland is involved in *KalshiEx, LLC v. Martin, et al.*, which is pending in the 4th Circuit Court of Appeals. In a January 12, 2026 letter to both houses of Congress, the American Gaming Association and the Indian Gaming Association urged “timely congressional action to address the explosion of unregulated sports event contracts being offered by prediction markets. Since these contracts, that are indistinguishable from legal sports betting, were launched last January [2025], they have grown exponentially in trading volume and have expanded beyond the outcome of single games to include complex parlays and even potential wagers on the collegiate transfer portal.”

The Agency’s and Commission’s existing laws set forth requirements for the legal operation of gaming activities, accounting for proceeds, licensee qualifications and background investigations, application and license fees, verifying players’ age and physical location, protection of players’ PII, and mechanisms by which players may voluntarily self-exclude from gaming activities. However, these requirements do not apply to *unlicensed* gaming activity. Under current law, the Agency and Commission have no authority over *unlicensed* gaming operators.

SB 112 adds new § 12-115 to the Criminal Law Article, which updates existing law to expressly cover online gaming activities. The new section defines illegal online games as “interactive games,” and prohibits their operation in Maryland. Violation of § 12-115 is a misdemeanor that carries penalties of up to 3 years

² iBid

imprisonment and/or a fine from \$10,000 to \$100,000, and a conviction renders a person ineligible for a Commission-issued gaming license. The new definition of “interactive games” exempts games that solely award non-cash prizes, but should capture current and unknown future illegal, real-money online games.

SB 112 also amends the casino gaming and sports wagering laws (State Government Article, Title 9, Subtitles 1A and 1E) Under amendments to SG § 9-1A-07, license applicants and licensees would be required to annually disclose any business relationship with entities that are known to support, operate, conduct, or promote an “interactive game” in the State, and a direct or indirect acceptance of revenue from the conduct of an interactive game in an illegal interactive gaming market. Misrepresentations or omissions would be basis for the Commission to deny a license application or impose sanctions on a current licensee and the licensee’s officers and board members.

The bill also adds § 9-1A-08.1 and would prohibit the Commission from issuing a license to a person required to be licensed or revoking a license if the applicant or any of the applicant’s affiliates accept revenue that is directly or indirectly derived from one of three specified jurisdictions.

Passage of SB 112 would provide the Agency and the Commission with a stronger means to address illegal gaming, and potentially deter illegal operators from entering the Maryland market, and would provide the State with a clear basis for pursuing criminal action against illegal online gaming operators.

For the reasons stated above, the Agency requests a FAVORABLE report on Senate Bill 112.