

Maryland Lottery and Gaming Control Agency



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BILL NO: House Bill 295

BILL TITLE: Gaming - Prohibition on Interactive Games and Revenue from Illegal Markets

COMMITTEE: Senate Budget and Taxation Committee

POSITION: FAVORABLE

House Bill 295, *Gaming – Prohibition on Interactive Games and Revenue From Illegal Markets*, would update Maryland Criminal Law to respond to the proliferation of illegal online gaming in the State, 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, and 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 conducted by licensed mobile sports wagering operators and registered online fantasy competition operators. Only the Commission is authorized to issue licenses and registrations. 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/>.

The bill has been amended to clarify that online games requiring CONSIDERATION, CHANCE, and REWARD constitute illegal online gaming. Consideration involves paying money to play, chance is the opportunity to win a reward, and reward is any award, cash, cash equivalent, prize, or item convertible to cash that a player may receive from playing an interactive game. Illegal interactive games do not include games like CandyCrush™, where there is no opportunity to win a reward.

Since 2024, the Commission has sent 89 cease and desist letters to companies offering illegal interactive games, such as VGW. Approximately 25% of these operators have withdrawn from Maryland while others have failed to respond and continue operating illegally. The Commission does not have the legal authority to stop them; it can only notify them that their operations are illegal.

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 untaxed and 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.”

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 (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 an increasing number of federal and state courts across the US. 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 and regulations set forth requirements for the legal operation of gaming activities, including accounting for proceeds, conducting background investigations and

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

² iBid

determining the qualifications of all license applicants, collecting application and license fees, and ensuring that licensees verify players' age and physical location, protect players' PII, and provide mechanisms by which players may voluntarily self-exclude from gaming activities. However, none of these requirements apply to *unlicensed* gaming operators or illegal gaming activity. Under current law, the Agency and Commission have no authority over *unlicensed* gaming operators.

HB 295 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 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.

The Commission has legal authority only over its license applicants and licensees. HB 295 amends the casino gaming and sports wagering laws (State Government Article, Title 9, Subtitles 1A and 1E) to authorize the Commission to deny or revoke a license based on the applicant's/licensee's involvement with, or receipt of revenue from, an interactive game. Under amendments to SG § 9-1A-07, license applicants and licensees must 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 are the basis for the Commission denying a license application, revoking a license, or imposing sanctions on a current licensee and the licensee's officers and board members.

The bill also adds new § 9-1A-08.1, which prohibits the Commission from issuing a license or revoking a license, if the applicant or licensee, or any of the applicant's or licensee's affiliates, accept revenue that is directly or indirectly derived from one of three specified jurisdictions. The prohibited jurisdictions are federally designated High Risk and State Sponsored Terrorism Jurisdictions, and jurisdictions where online casino gaming is prohibited.

Passage of SB 295 would provide the Agency and the Commission with a stronger means to address illegal gaming through focused licensing requirements and prohibitions, potentially deter illegal operators from entering the Maryland market, and 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 House Bill 295.