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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 706 Session of  
2023

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INTRODUCED BY YAW, DUSH, ARGALL, ROTHMAN, PENNYCUICK, LAUGHLIN,  
VOGEL, BREWSTER AND CULVER, MAY 26, 2023

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REFERRED TO COMMUNITY, ECONOMIC AND RECREATIONAL DEVELOPMENT,  
MAY 26, 2023

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AN ACT

1 Providing for skill video gaming; imposing duties on the  
2 Department of Revenue; providing for issuance of licenses for  
3 skill video gaming; imposing a tax and criminal and civil  
4 penalties; and providing for zoning.

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30 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 CHAPTER 1

3 PRELIMINARY PROVISIONS

4 Section 101. Short title.

5 This act shall be known and may be cited as the Skill Video  
6 Gaming Act.

7 Section 102. Definitions.

8 The following words and phrases when used in this act shall  
9 have the meanings given to them in this section unless the  
10 context clearly indicates otherwise:

11 "Applicant." A person which applies for permission to engage  
12 in an act or activity that is regulated under the provisions of  
13 this act.

14 "Bearer script." A ticket that is a printed receipt from a  
15 skill video game system and is redeemable for cash equivalents.

16 "Camera system." A video camera system approved by the  
17 department and provided by an operator to an establishment that  
18 meets the specifications approved by the department.

19 "Cash." United States currency or coin.

20 "Cash equivalents." Instruments with a value equal to United  
21 States currency or coin, including certified checks, cashier's  
22 checks, money orders or other representations of value that the  
23 department deems a cash equivalent.

24 "Controlling interest." As follows:

25 (1) For a publicly traded entity, the term means the  
26 holding of sole voting rights under State law or corporate  
27 articles or bylaws that entitle the person to elect or  
28 appoint one or more of the members of the board of directors  
29 or other governing board or the holding of an ownership or  
30 beneficial holding of 5% or more of the securities of the

1 publicly traded legal entity, unless the presumption of  
2 control or ability to elect is rebutted by clear and  
3 convincing evidence.

4 (2) For a privately held corporation, partnership,  
5 limited liability company or other form of privately held  
6 legal entity, the term means the holding of securities in the  
7 legal entity, unless the presumption of control is rebutted  
8 by clear and convincing evidence.

9 "Department." The Department of Revenue of the Commonwealth.

10 "Distributor." An entity licensed by the department that  
11 sells, leases, offers or provides and distributes skill video  
12 game systems to an operator for use or play in this  
13 Commonwealth.

14 "Entity." A domestic or foreign:

- 15 (1) business corporation;
- 16 (2) nonprofit corporation;
- 17 (3) general partnership;
- 18 (4) limited partnership;
- 19 (5) limited liability company;
- 20 (6) unincorporated nonprofit association;
- 21 (7) professional association; or
- 22 (8) business trust, common law business trust or  
23 statutory trust.

24 "Establishment." An entity licensed by the department that  
25 permits an operator to place and operate skill video game  
26 systems on the establishment's premises under this act.

27 "Gross revenue." The total of cash or cash equivalents  
28 received by a skill video game system minus the total of cash or  
29 cash equivalents paid out to players as a result of playing a  
30 skill video game system. The term does not include counterfeit

1 cash or cash taken in a fraudulent act perpetrated against an  
2 operator or establishment for which the operator or  
3 establishment is not reimbursed.

4 "Independent testing laboratory." A nongovernmental entity  
5 engaged in the business of examining skill video game software  
6 and capable of providing the certification specified in Chapter  
7 7.

8 "Initial license." A license issued by the department to an  
9 approved applicant under this act.

10 "Net profits." The gross revenue after applicable taxes are  
11 paid to the department.

12 "Operator." An entity licensed by the department to operate  
13 a skill video game system by:

14 (1) Purchasing or leasing skill video game systems from  
15 a licensed skill video game system distributor.

16 (2) Providing skill video game systems to licensed  
17 establishments.

18 (3) Providing onsite collection of skill video game  
19 system revenue and skill video game system data reporting as  
20 required by this act.

21 "Payout." The payment of cash or cash equivalent to player  
22 as a result of playing a skill video game system.

23 "Person." Includes a corporation, partnership, limited  
24 liability company, business trust, other association, government  
25 entity, other than the Commonwealth, estate, trust, foundation  
26 or natural person.

27 "Player." An individual who is at least 18 years of age when  
28 the individual plays a skill video game system.

29 "Principal." Any of the following:

30 (1) An officer.

1 (2) A director.

2 (3) A person who directly holds a beneficial interest in  
3 or ownership of the securities of an applicant or licensee.

4 (4) A person who has a controlling interest in an  
5 applicant or licensee or has the ability to elect a majority  
6 of the board of directors of a licensee or to otherwise  
7 control a licensee, lender or other licensed financial  
8 institution of an applicant or licensee, other than a bank or  
9 lending institution which makes a loan or holds a mortgage or  
10 other lien acquired in the ordinary course of business,  
11 underwriter of an applicant or licensee.

12 (5) A person deemed to be a principal by the department.

13 "Program." The program to regulate the distribution, sale,  
14 transportation, storage and use of skill video game systems  
15 established under Chapter 3.

16 "Provisional license." A license issued under section 2503.

17 "Registration information." The information required on the  
18 registration form provided by the department.

19 "Skill video game." A game played on skill video game  
20 software that meets the qualifications specified in Chapters 5  
21 and 7 and has been licensed by the department as part of a skill  
22 video game system.

23 "Skill video game placement agreement." An agreement entered  
24 into by a distributor with an operator or an operator with an  
25 establishment for the placement, operation, service or  
26 maintenance of skill video game terminals.

27 "Skill video game software." A distributor's proprietary  
28 software program developed and designed for a skill video game  
29 system as approved by the department.

30 "Skill video game system." A terminal that is equipped with

1 skill video game software connected to a terminal reporting  
2 system.

3 "Terminal identification number." The unique number utilized  
4 to identify and verify a licensed skill video game system.

5 "Terminal reporting system." A system provided by the  
6 distributor and accessible by the department to which each skill  
7 video game system communicates for the purpose of auditing  
8 capacity and information retrieval of the details of a financial  
9 event that occurs in the operation of a skill video game system,  
10 including coin in, coin out, ticket in, ticket out and jackpots.

11 "Ticket redemption terminal." A terminal where a bearer  
12 scrip from a skill video game system may be redeemed for cash  
13 after a player has validated the player's age by utilizing a  
14 state-issued driver's license or identification card. A device  
15 used to validate the player's age may only read and verify the  
16 age from a State-issued driver's license or identification card  
17 and may not collect or retain any additional player information.

18 CHAPTER 3

19 PROGRAM

20 Section 301. Regulation of skill video game systems.

21 (a) Establishment.--A program to regulate the distribution,  
22 sale, transportation, storage and use of skill video game  
23 systems is established. The program shall be implemented and  
24 administered by the department. The department shall:

25 (1) Issue licenses to participating individuals or  
26 companies to authorize them to design, program, license,  
27 sublicense, manufacture, transport, store and make available  
28 to the public a skill video game system within this  
29 Commonwealth in accordance with this act and regulations  
30 promulgated by the department.



1           (2) Establish regulator and enforcement authority over  
2 the program.

3           (3) Develop enforcement procedures.

4           (b) General authority and duties of department.--The  
5 department shall have general and sole regulatory authority over  
6 the sale, distribution and use of a skill video game system as  
7 described under this act.

8           (c) Specific authority and duties of department.--The  
9 department shall have the specific power and duty to:

10           (1) Collect taxes from a distributor.

11           (2) Require and conduct or cause to be conducted  
12 criminal history investigations on applicants and licenses  
13 under this act.

14           (3) For purposes of licensing and enforcement and  
15 background investigations, receive information otherwise  
16 protected by 18 Pa.C.S. Ch. 91 (relating to criminal history  
17 record information).

18           (4) Issue, approve, renew, revoke, suspend, condition or  
19 deny issuance or renewal of a license or approval provided  
20 under this act.

21           (5) Require prospective and existing applicants and  
22 licensees to submit to fingerprinting by the Pennsylvania  
23 State Police, who shall submit the fingerprints to the  
24 Federal Bureau of Investigation or an agency approved by the  
25 department for purposes of verifying the identity of the  
26 individual and obtaining records of criminal arrest and  
27 convictions.

28           (6) Promulgate rules and regulations necessary for the  
29 administration and enforcement of this act. Except as  
30 provided in section 1903, regulations shall be adopted as

1 provided under the act of July 31, 1968 (P.L.769, No.240),  
2 referred to as the Commonwealth Documents Law, and the act of  
3 June 25, 1982 (P.L.633, No.181), known as the Regulatory  
4 Review Act.

5 (7) Require each person that holds a license issued  
6 under this act to provide the periodic reports required of  
7 licensees under this act.

8 Section 302. Sale, manufacturing, distribution, operation and  
9 use of skill video game systems.

10 Notwithstanding any other provision of law to the contrary,  
11 the sale, distribution, operation, possession, transportation  
12 and use of a skill video game system in compliance with this act  
13 are authorized in this Commonwealth. A skill video game system  
14 shall not be deemed:

15 (1) A lottery, gambling device, slot machine, device  
16 intrinsically connected with gambling or coin-operated  
17 amusement device.

18 (2) "Games of chance" as defined under section 103 of  
19 the act of December 19, 1988 (P.L.1262, No.156), known as the  
20 Local Option Small Games of Chance Act.

21 (3) As conducting another business on a licensed  
22 premises under the act of April 12, 1951 (P.L.90, No.21),  
23 known as the Liquor Code, or 40 Pa. Code § 3.52 (relating to  
24 connection with other business).

## 25 CHAPTER 5

### 26 ORGANIZATION

27 Section 501. Licenses.

28 (a) Issuance.--The department shall have the authority to  
29 issue licenses under this act.

30 (b) Provisional licenses.--The department shall issue a

1 provisional license to operate a skill video game system  
2 beginning on the effective date of this subsection to a  
3 distributor, operator or establishment that meets the  
4 requirements of section 2503.

5 (c) Skill video game system license.--An initial application  
6 period shall commence at a date set by the department. An  
7 initial license may be utilized on the date the department  
8 issues the initial license and shall remain valid for a minimum  
9 of one year or until the department establishes a date for the  
10 annual renewal of licenses.

11 (d) License criteria.--The granting of a license by the  
12 department shall be subject to and dependent upon the  
13 applicant's criminal history record information and other  
14 criteria established by department regulation.

15 (e) License renewal.--An application to renew a license  
16 shall be filed with the department prior to the expiration of  
17 the license.

18 Section 502. Licensing requirements.

19 An entity, including each principal holding a controlling  
20 interest, which seeks a distributor, operator and establishment  
21 licensee shall be considered an applicant and shall provide the  
22 following information for an initial or renewal license:

23 (1) Identification, including a driver's license or  
24 passport.

25 (2) Naturalization papers or resident alien  
26 identification, if applicable.

27 (3) Resident information for the previous five years.

28 (4) Employment information for the previous five years,  
29 including dates employed and the name and address of the  
30 employers so that a criminal history and credit check can be

1 completed.

2 (5) An individual questionnaire provided by the  
3 department for each principal who lives outside of this  
4 Commonwealth.

5 (6) Proof that the applicant has not had a felony  
6 conviction within the last five years.

7 (7) Proof that the applicant has never been convicted of  
8 a gambling-related felony.

9 (8) Proof that the applicant has timely filed and  
10 satisfied all Federal, State and local taxes.

11 Section 503. Granting licenses.

12 (a) General rule.--The department may grant, deny or revoke  
13 a license under this act.

14 (b) Determination.--In making a decision under subsection  
15 (a), the department shall determine whether the applicant is  
16 able to comply with all applicable laws of this Commonwealth and  
17 regulations relating to the activities in which the applicant  
18 intends to engage under this act.

19 (c) Privilege.--The issuance or renewal of a license shall  
20 be a revocable privilege.

21 (d) Multiple licenses.--An entity holding a distributor  
22 license or an operator license may not hold an establishment  
23 license.

24 (e) Appeals.--If the department denies an application, the  
25 applicant shall have 30 days from the date of the department's  
26 mailing of the denial to the applicant to file an appeal of the  
27 denial. The appeal shall be filed with the Secretary of Revenue.  
28 The appeal of a decision by the Secretary of Revenue shall be  
29 filed with Commonwealth Court.

30 (f) Prior operation.--Prior operation of a skill game shall

1 not be a basis for denying a license.

2 Section 504. Application and renewal costs of licenses.

3 (a) Payment.--The fee for an initial or renewal license  
4 application shall be payable to the department when the  
5 application or renewal is submitted.

6 (b) Initial license and costs.--An initial license  
7 application fee shall be nonrefundable to an applicant. Initial  
8 license application fees shall be as follows:

9 (1) A skill video game system distributor initial  
10 application fee, \$1,000,000.

11 (2) A skill video game system operator initial license  
12 application fee, \$25,000.

13 (3) A skill video game system establishment initial  
14 license application fee, \$250.

15 (c) Renewal license and costs.--A renewal license  
16 application fee shall be nonrefundable. Renewal license  
17 application fees shall be as follows:

18 (1) A skill video game system distributor annual renewal  
19 license application fee, \$100,000.

20 (2) A skill video game system operator annual renewal  
21 license application fee, \$5,000.

22 (3) A skill video game system establishment annual  
23 renewal license application fee, \$250.

24 Section 505. Allocation of skill video game system revenue  
25 after tax.

26 The allocation of percentage of net profits earned shall be  
27 as follows:

28 (1) An establishment shall receive 40%.

29 (2) An operator shall receive 40%.

30 (3) A distributor shall receive 20%.

1 Section 506. Issuance of license.

2 A license issued by the department to a participant shall be  
3 effective only for the specified period and shall include  
4 information required by the department.

5 Section 507. Term of license.

6 (a) Provisional license.--A provisional license shall be  
7 valid until the issuance or denial of an initial license.

8 (b) Initial license.--An initial license shall remain valid  
9 for one calendar year.

10 (c) Renewal license.--A renewal license shall be valid for  
11 one calendar year from the date of issuance.

12 Section 508. License renewal.

13 (a) Renewal.--An application for a renewal license shall  
14 include information required by the department.

15 (b) Approval.--The department shall renew a license using  
16 the same process for granting licenses under Chapter 5.

17 (c) Nonrenewal decision.--A decision to deny or not renew a  
18 license by the department shall include a notice specifying in  
19 detail how the applicant has not satisfied the department's  
20 requirements for renewal. The department may request additional  
21 information from the applicant before deciding to grant or deny  
22 an application for renewal. If the department denies a renewal,  
23 the applicant may appeal the decision to Commonwealth Court.

24 Section 509. Suspension or revocation of license.

25 The department may suspend or revoke a license if the  
26 participant violates any provision of this act or regulation of  
27 the department.

28 CHAPTER 7

29 CERTIFICATION REQUIREMENTS

30 Section 701. Skill video game system testing.

1 (a) Certification.--Prior to obtaining an initial license  
2 under Chapter 5, a skill video game system must be certified  
3 under subsection (b). The following shall apply:

4 (1) Before the distributor sells, leases, licenses,  
5 provides or distributes game software not qualified or  
6 approved by the program as skill video game software, the  
7 distributor shall supply to the department an engineering  
8 report and opinion in complete forensic detail by an  
9 independent testing laboratory, with experience in testing  
10 skill video game software and approved by the department, and  
11 based on an examination of a prototype or production sample  
12 of the skill video game software and approved skill video  
13 game system to be certified. The testing required under this  
14 paragraph shall be based only on skill video game software,  
15 and the technical specifications shall be agreed to be  
16 independent from slot machine technical specifications  
17 engineered for casino or video game terminal play. The  
18 engineering report and opinion shall:

19 (i) Be restricted in scope to technical detail and  
20 shall not be otherwise relied upon as a legal opinion  
21 regarding whether skill or chance are predominant in  
22 winner determination or as an interpretation of law.

23 (ii) Be signed by a principal or executive officer  
24 of an independent testing laboratory, which signature  
25 shall constitute the laboratory's certification regarding  
26 its contents.

27 (iii) State, at a minimum, a written certification  
28 to the department that the skill video game software is  
29 one in which:

30 (A) Skill of the player rather than an element

1 of chance is the predominant factor affecting the  
2 skill video game's outcome.

3 (B) The skill video game requires the prize  
4 outcome for the single play and over a session of  
5 gameplay to be such that without the player  
6 exercising skill during the main phases of gameplay,  
7 it would be impossible to win the prize offered.

8 (C) There must be no hard-coded minimum or  
9 maximum payout percentage for a skill video game.

10 (D) There must not be any reflexive,  
11 compensating algorithm that makes the skill video  
12 game harder when it detects a highly skilled player  
13 or when the skill video game's payout percentage goes  
14 above 100%.

15 (E) An average player can learn to score and win  
16 effectively on a skill video game.

17 (F) A player is informed of the criteria used in  
18 selecting winners and rules are available for viewing  
19 at any time other than in the middle of a skill video  
20 game in play.

21 (G) Skill video games must be programmed to keep  
22 true and accurate gameplay records, with a minimum of  
23 10 game recall, and the number of payouts from the  
24 skill video game, with a minimum of 10 voucher  
25 recall. Accounting meters must be at least eight  
26 digits in length, with six digits to the left of the  
27 decimal.

28 (H) The skill video game is programmed so that a  
29 maximum price to play is \$5 and the maximum winnings  
30 per individual game are \$5,000.



1           (I) The skill video game allows for the display  
2           of the software version, as well as lists of hardware  
3           components of the approved terminal, in an easily  
4           identifiable and accurate manner.

5           (2) A skill video game system shall remain certified and  
6           valid unless material changes are made to the skill video  
7           game software or equipment as deemed necessary by the  
8           department.

9           (3) A distributor applicant applying for an initial  
10          license shall provide the distributor applicant's skill video  
11          game software in a manner consistent with rules and  
12          regulations promulgated by the department.

13          (4) Certification of the requirements under this  
14          subsection shall be made to the department by the  
15          distributor, who shall represent that the certification is  
16          being made subject to the penalties of 18 Pa.C.S. § 4904  
17          (relating to unsworn falsification to authorities).

18          (b) Certification.--An independent testing laboratory  
19          approved by the department shall provide a certification as  
20          provided under this act.

21          (c) Field verification of certified skill video game  
22          software.--The software distributor's skill video game software  
23          shall allow for random field verification by an agent or  
24          designee of the department. The distributor shall supply the  
25          department with the unique signature of the application software  
26          being tested and instructions allowing an agent or designee of  
27          the department to field verify a production copy of the skill  
28          video game system.

29          (d) Trademark, copyright, trade secret and confidential  
30          proprietary material.--Nothing in this act is intended to

1 violate, compromise or facilitate infringement of or make public  
2 material created, owned or possessed by a distributor.  
3 Intellectual property or other material or information provided  
4 by a software distributor to the department for inspection shall  
5 be deemed as trademarked, copyrighted, a trade secret or  
6 confidential proprietary material, and the material shall not be  
7 subject to public access or inspection.

8 Section 702. Bonding.

9 (a) General rule.--To be eligible for a provisional or  
10 initial license, a distributor shall execute a \$1,000,000 bond  
11 within 30 days of issuance of the license. The bond shall  
12 specifically protect the department's tax collection under this  
13 act, not the software provider.

14 (b) Surety.--Each bond shall have as a surety a duly  
15 authorized surety company or two sufficient individual sureties  
16 approved by the department.

17 (c) Condition.--The bond is conditioned for the faithful  
18 performance of the duties of the software provider to pay  
19 applicable taxes, fees and fines required by this act.

20 (d) Suspension or revocation.--Unless the bond is filed with  
21 the department within the 30-day time period under subsection  
22 (a), the department may suspend the initial license. Failure to  
23 maintain an acceptable bond shall be grounds for license  
24 revocation.

25 Section 703. Reporting.

26 (a) Monthly report.--Each distributor shall utilize a  
27 terminal reporting system for the distributor's skill video game  
28 system. A distributor shall submit a monthly report to the  
29 department providing the following for the prior month:

30 (1) The complete tracking of all revenue derived through

1 the operation of all skill video game systems in operation  
2 within all establishments.

3 (2) The reporting of gameplay statistics, including cash  
4 in, cash out and numbers of games played.

5 (3) The physical locations of all skill video game  
6 systems in possession of a distributor, operator or  
7 establishment in this Commonwealth.

8 (b) Annual report.--By July 30 of each year, for the prior  
9 year's business, each distributor shall report to the department  
10 the following:

11 (1) The total number of skill video game systems that  
12 operators purchased from a distributor, including all  
13 terminal identification numbers.

14 (2) The number and type of skill video game systems that  
15 operators have located within each establishment.

16 (3) The total number of skill video game systems and the  
17 terminal identification numbers that each entity has in  
18 inventory as of June 30.

19 (4) The total number of skill video game systems in  
20 operation by county.

21 (5) The total number of skill video game systems in  
22 operation by municipality.

23 (6) Other information that the department may require.

24 CHAPTER 9

25 DISTRIBUTORS

26 Section 901. Authorization.

27 A distributor, once licensed by the department, shall be  
28 authorized to distribute terminals and associated devices for  
29 skill video gaming that comply with the requirements under  
30 Chapter 5.

1 Section 902. System requirements.

2 (a) Currency.--A skill video game system shall be equipped  
3 with the ability to accept currency and shall distribute  
4 winnings by ejection of a bearer scrip, card or other means  
5 approved by the department redeemable only for cash at the  
6 establishment where played. Winnings from players shall be  
7 redeemed at a ticket redemption terminal or by an attendant  
8 within the establishment where the bearer scrip or card was  
9 created.

10 (b) Internet.--A skill video game system shall be connected  
11 to the Internet for purposes of security, authentication and  
12 redemption or data collection and control.

13 (c) External ports.--Except as may be approved by the  
14 department for the field verification of skill video game  
15 software signatures, a skill video game system shall not have an  
16 external data port or disk drive outside of a locked area within  
17 the terminal.

18 (d) Rules of play.--The skill video game system shall  
19 prominently display the rules of play either on the game screen  
20 or on the terminal.

21 (e) Placard.--Each skill video game system shall bear a  
22 placard in a prominent location and in a prominent color stating  
23 as follows:

24 This game is licensed by the Pennsylvania Department of  
25 Revenue and is NOT operated or maintained by the  
26 Pennsylvania State Lottery. Players must be 18 years of  
27 age or older to play.

28 (f) Other markings.--Each skill video game system shall  
29 display the name of the distributor of the terminal and contact  
30 information for the operator, including a mailing address and

1 telephone number.

2 CHAPTER 11

3 OPERATORS

4 Section 1101. Authorization.

5 An operator shall do the following:

6 (1) Purchase, lease, license, sublicense or provide  
7 approved skill video game systems from a distributor.

8 (2) Distribute skill video game systems to  
9 establishments under terms approved by the department.

10 (3) Collect and report skill video game system income  
11 and reconcile with a terminal reporting system.

12 (4) Accept returns of skill video game systems from  
13 establishments per regulations promulgated by the department.

14 Section 1102. Skill video game system placement agreements.

15 (a) Contract.--Within 60 days of receiving an initial  
16 license, an operator shall enter into a contract with a licensed  
17 distributor. In addition to any additional minimum standards for  
18 the contract that the department requires, a skill video game  
19 placement agreement shall:

20 (1) Include a provision rendering the agreement invalid  
21 if either party's license or application is denied, revoked,  
22 not renewed, withdrawn or surrendered.

23 (2) Provide the operator with 40% of the net profits.

24 (b) Term.--A skill video game placement agreement may be  
25 active for a minimum term of five years but shall not exceed 10  
26 years.

27 Section 1103. Player security.

28 Each establishment shall be provided a camera system from the  
29 operator which shall be pointed directly on skill video game  
30 systems and shall always be active. The camera system shall

1 record and collect all video footage. The video footage shall be  
2 maintained and stored for the immediately prior 60 days.

3 Section 1104. Reporting.

4 An operator using the terminal reporting system shall submit  
5 a monthly report to the distributor. The distributor shall  
6 provide to the department a monthly report that includes the  
7 following information for the prior month:

8 (1) The terminal identification number in an operator's  
9 inventory and within each establishment.

10 (2) Other information as the department may require.

11 CHAPTER 13

12 ESTABLISHMENTS

13 Section 1301. Authorization.

14 An establishment shall do the following:

15 (1) Utilize skill video game systems from operators for  
16 entertainment and play by the public.

17 (2) Return unused, damaged or inoperable skill video  
18 game systems to the operator.

19 Section 1302. Skill video game placement agreements.

20 (a) Contract.--Within 60 days of receiving an initial  
21 license, an establishment shall enter into a contract with an  
22 operator. In addition to any minimum standards for contract that  
23 the department requires, a skill video game placement agreement  
24 shall:

25 (1) Include a provision rendering the skill video game  
26 placement agreement invalid if either party's license or  
27 application is denied, revoked, not renewed, withdrawn or  
28 surrendered.

29 (2) Provide the establishment with 40% of the net  
30 profits.

1 (b) Term.--A skill video game placement agreement may be  
2 active for a minimum term of five years but shall not exceed 10  
3 years.

4 Section 1303. Limits on skill video game terminals.

5 (a) Terminals.--An establishment may have a maximum of two  
6 skill video game terminals per 500 square feet of public floor  
7 common space available to the patrons of the establishment.

8 (b) Number of terminals.--

9 (1) An establishment may not exceed five approved skill  
10 video game terminals.

11 (2) An establishment that is owned by an organization  
12 under 26 U.S.C. § 501(c) (relating to exemption from tax on  
13 corporations, certain trusts, etc.) may not exceed 10  
14 approved skill video game terminals.

15 (c) Placement.--Skill video game terminals shall be placed  
16 in public floor space visible to patrons and employees.

17 Section 1304. Prohibition on miniature casinos and stop and  
18 gos.

19 (a) General rule.--An operator is prohibited from installing  
20 skill video game systems in an establishment where the sole or  
21 primary source of annual net revenue is derived from skill video  
22 game systems.

23 (b) Exemption.--Subsection (a) shall not apply to an  
24 organization established under 26 U.S.C. § 501(c) (relating to  
25 exemption from tax on corporations, certain trusts, etc.).

26 Section 1305. Limitation of access by individuals under 18  
27 years of age.

28 The department shall promulgate regulations, including  
29 employee training for detecting fake identification cards, for  
30 licensed establishments to ensure the play of skill video game

1 systems by individuals under 18 years of age. Under no  
2 circumstances shall an establishment redeem a skill video game  
3 system redeemable bearer scrip, card or other means approved by  
4 the department from an individual under 18 years of age.  
5 Establishment licensees are required to post problem gaming  
6 signage and make problem gaming informational materials, the  
7 terms of which shall be established by the department, available  
8 at the establishment.

9 Section 1306. Qualifications for establishments.

10 (a) General rule.--Skill video game systems shall be played  
11 only at:

12 (1) an establishment licensed by the Pennsylvania Liquor  
13 Control Board;

14 (2) an organization established under 26 U.S.C. § 501(c)  
15 (relating to exemption from tax on corporations, certain  
16 trusts, etc.); or

17 (3) a business that sells age-restricted products such  
18 as tobacco or is licensed by the Pennsylvania Lottery.

19 (b) License required.--An establishment under subsection (a)  
20 must be licensed by the Commonwealth to operate a skill video  
21 game system.

22 (c) Subdivision prohibited.--An establishment shall consist  
23 of one physical building and may not be subdivided for the  
24 purposes of obtaining additional licenses to operate skill video  
25 game systems.

## 26 CHAPTER 15

### 27 PLAYERS

28 Section 1501. Authorization.

29 It shall be lawful for a user to play and receive winnings  
30 from a skill video game system dispensed in the form of a bearer



1 scrip, card or other means approved by the department which is  
2 redeemable only at the establishment for cash. Cash shall not be  
3 dispensed directly by the terminal.

4 Section 1502. Winnings.

5 A player's net winnings from the play of a licensed skill  
6 video game terminal shall be classified as compensation under  
7 section 303 of the act of March 4, 1971 (P.L.6, No.2), known as  
8 the Tax Reform Code of 1971.

9 CHAPTER 17

10 TAX

11 Section 1701. Tax imposed.

12 (a) General rule.--A tax of 16% of all gross profits  
13 generated by skill video game system play shall be paid to the  
14 Commonwealth by the distributor. The distributor shall submit to  
15 the department by the 20th of each month:

16 (1) A report of gross profits under this subsection for  
17 the prior month.

18 (2) Any tax payments due under this subsection for the  
19 prior month.

20 (b) Deposit.--Revenue received from the tax imposed under  
21 this section shall be distributed by the department and shall be  
22 proportioned monthly under the following formula:

23 (1) Fifty percent of the revenue shall be deposited into  
24 the General Fund.

25 (2) Twenty-two percent of the revenue shall be  
26 distributed to individual counties proportionally based upon  
27 the gross profits derived from the operation of all skill  
28 video game systems within that county.

29 (3) Twenty-two percent of the revenue shall be  
30 distributed to individual municipalities based on the gross

1 profits derived from the operation of skill video game  
2 systems within that municipality.

3 (4) Six percent of the revenue shall be distributed to  
4 the Bureau of Liquor Control Enforcement for the purpose of  
5 enforcing this act.

6 (c) Exemption.--Revenue generated from approved skill video  
7 game terminals being played by the public and game credit  
8 licenses to supply skill video game systems shall not be  
9 subjected to the tax imposed under section 202 of the act of  
10 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
11 1971.

12 (d) Information.--The distributor, operator and  
13 establishment shall provide to the department any information  
14 required by the department for the department's assessment and  
15 review of taxes under this section.

16 (e) Prohibition on local fees and taxes.--No additional  
17 taxes or fees, including amusement taxes, may be imposed on the  
18 placement of a skill video game system or the revenue generated  
19 by a terminal unless specifically authorized under this act.

## 20 CHAPTER 19

### 21 ADMINISTRATION

22 Section 1901. Governing practices and procedures.

23 The provisions of 2 Pa.C.S. (relating to administrative law  
24 and procedure) shall apply to all actions of the department  
25 under this act constituting an adjudication as defined in 2  
26 Pa.C.S. § 101 (relating to definitions).

27 Section 1902. Law enforcement notification.

28 Notwithstanding any provision of this act or any other law to  
29 the contrary, the department may notify law enforcement of  
30 information relating to any violation or suspected violation of

1 this act.

2 Section 1903. Temporary regulation.

3 (a) Promulgation.--In order to facilitate the prompt  
4 implementation of this act, the department shall promulgate  
5 temporary regulations as outlined in section 2503. The  
6 department may promulgate temporary regulations not subject to  
7 sections 201, 202, 203, 204 and 205 of the act of July 31, 1968  
8 (P.L.769, No.240), referred to as the Commonwealth Documents  
9 Law, sections 204(b) and 301(10) of the act of October 15, 1980  
10 (P.L.950, No.164), known as the Commonwealth Attorneys Act, and  
11 the act of June 25, 1982 (P.L.633, No.181), known as the  
12 Regulatory Review Act.

13 (b) Expiration.--The department's authority to adopt  
14 temporary regulations under subsection (a) shall expire two  
15 years after the effective date of this subsection. Regulations  
16 adopted after this period shall be promulgated as provided by  
17 law.

18 (c) Publication.--The department shall transmit notice of  
19 the temporary regulations to the Legislative Reference Bureau  
20 for publication in the next available issue of the Pennsylvania  
21 Bulletin no later than six months after the effective date of  
22 this subsection.

23 Section 1904. Reports by licensees.

24 An operator and establishment shall file a monthly report  
25 with the distributor as designated by the department. The  
26 distributor shall make the reports available to the department.

## 27 CHAPTER 21

### 28 OFFENSES RELATED TO OPERATION OF

### 29 UNLICENSED SKILL VIDEO GAMES

30 Section 2101. Criminal distribution and operation of unlicensed

1 skill video game terminals.

2 (a) Penalties.--In addition to any other penalty provided by  
3 law, a person commits a misdemeanor of the first degree if the  
4 person owns, operates, maintains, places into operation or has a  
5 financial interest in an unlicensed skill video game, skill  
6 video game system or skill video game software or a business  
7 that owns, operates, maintains or places into operation or has a  
8 financial interest in an unlicensed skill video game, skill  
9 video game system or skill video game software:

10 (1) which is offered or made available to persons to  
11 play or participate for direct or indirect consideration,  
12 including consideration associated with a related product,  
13 service or activity; and

14 (2) for which the person playing the unlicensed skill  
15 video game system may become eligible for a cash or cash-  
16 equivalent prize, whether or not the eligibility for or value  
17 of the cash or cash-equivalent prize is determined by or has  
18 any relationship to the outcome of or play of the unlicensed  
19 skill video game system.

20 (b) Forfeiture.--An unlicensed skill video game, skill video  
21 game system or skill video game software owned, operated  
22 maintained or placed into operation in violation of subsection  
23 (a) shall be seized and forfeited to the Commonwealth. The  
24 forfeiture shall be conducted in accordance with 42 Pa.C.S. §§  
25 5803 (relating to asset forfeiture), 5805 (relating to  
26 forfeiture procedure), 5806 (relating to motion for return of  
27 property), 5807 (relating to restrictions on use), 5807.1  
28 (relating to prohibition on adoptive seizures) and 5808  
29 (relating to exceptions).

30 CHAPTER 23

1 OFFENSES RELATED TO ILLEGAL MANUFACTURING,  
2 DISTRIBUTION OR OPERATION OF SKILL VIDEO GAMES

3 Section 2301. Law enforcement.

4 (a) General criminal enforcement.--Except as provided in  
5 subsection (b), the Bureau of Liquor Control Enforcement of the  
6 Pennsylvania State Police shall be responsible for enforcement  
7 of the criminal provisions of this act.

8 (b) Counties of the first class.--In addition to the Bureau  
9 of Liquor Control Enforcement of the Pennsylvania State Police,  
10 a local law enforcement agency may enforce the criminal  
11 provisions of this act in a county of the first class.

12 (c) Definition.--As used in this section, the term "local  
13 law enforcement agency" includes the Philadelphia Police  
14 Department.

15 Section 2302. Criminal distribution of skill video game  
16 systems.

17 In addition to any other penalty provided by law, a person  
18 commits a misdemeanor of the first degree if the person  
19 illegally sells, leases, licenses, sublicenses or distributes to  
20 any person or entity a skill video game system without being  
21 properly licensed by the department and contracted with a  
22 software provider.

23 Section 2303. Criminal alteration of skill video game software,  
24 terminal or related equipment.

25 In addition to any other penalty provided by law, a person  
26 commits a felony of the third degree if the person  
27 intentionally, knowingly or recklessly alters a skill video game  
28 system, skill video game software or skill video game terminal  
29 in any manner so that:

30 (1) chance, rather than predominant skill, is the factor

1 affecting the prize outcome of the skill video game on a  
2 single-play basis and on the basis of a session of single  
3 plays;

4 (2) a player does not have an opportunity on every play  
5 to win back more than what was spent to play the skill video  
6 game; or

7 (3) a skill video game terminal is capable of issuing  
8 currency, coins, a stored-value card or other cash equivalent  
9 or other medium of exchange.

10 Section 2304. Criminal redemption of value to individual under  
11 18 years of age.

12 In addition to any other penalty provided by law, a person  
13 commits a summary offense if the person provides value of any  
14 kind to an individual under 18 years of age in exchange for an  
15 approved skill video game terminal redeemable bearer scrip.

16 Section 2305. Additional penalties.

17 (a) Civil penalties.--In addition to any other remedy  
18 available to the department, the department may assess a civil  
19 penalty for any violation of this act, a regulation promulgated  
20 under this act or order issued under this act. The following  
21 penalties shall apply:

22 (1) The department may assess a civil penalty of not  
23 more than \$25,000 for each violation and an additional  
24 penalty of not more than \$1,000 for each day of a continuing  
25 violation. In determining the amount of each penalty, the  
26 department shall take the following into consideration:

27 (i) The gravity of the violation.

28 (ii) The willfulness of the violation.

29 (iii) Previous violations, if any, by the person  
30 being assessed.

1 (iv) The economic benefit to the person being  
2 assessed for failing to comply with the requirements of  
3 this act, a regulation promulgated under this act or an  
4 order issued under this act.

5 (2) The department may issue a written warning in lieu  
6 of a civil penalty to a person or entity who aids, abets,  
7 counsels, induces, procures or causes another person to  
8 violate this act, a regulation promulgated under this act or  
9 an order issued under this act.

10 (b) Sanctions.--

11 (1) In addition to any other penalty authorized by law,  
12 the department may impose the following sanctions:

13 (i) The revocation or suspension of the license of a  
14 person found to be in violation of this act, a regulation  
15 promulgated under this act or an order issued under this  
16 act.

17 (ii) The revocation or suspension of the license of  
18 a person for conduct or activity or the occurrence of an  
19 event that would have disqualified the person from  
20 receiving the license.

21 (iii) The ordering of restitution of money or  
22 property unlawfully obtained or retained by a licensee.

23 (2) A person who aids, abets, counsels, induces,  
24 procures or causes another person to violate this act shall  
25 be subject to the sanctions provided under paragraph (1).

26 (c) Cost of action.--The department may assess against a  
27 person determined to be in violation of this act the cost of  
28 investigation of the violation.

29 (d) Insignificant violations.--Nothing in this section shall  
30 be construed to require the assessment of a civil penalty or the

1 imposition of a sanction for an insignificant violation of this  
2 act if the department determines that the public interest will  
3 be adequately served under the circumstances by the issuance of  
4 a written warning.

5 Section 2306. Surrendering illegal skill video games and  
6 equipment.

7 For a period of 90 days from the effective date of this  
8 section, a skill video game, skill video game device or other  
9 skill video game equipment not licensed by this act or another  
10 law of this Commonwealth may, without criminal penalty or fine,  
11 be surrendered by a person to the Commonwealth at designated  
12 drop-off facilities around this Commonwealth as determined by  
13 law enforcement and the department. All games, devices and  
14 equipment surrendered shall be recycled or destroyed at the  
15 direction of law enforcement. Costs for this service shall be  
16 covered by fees and taxes generated under this act.

17 CHAPTER 25

18 MISCELLANEOUS PROVISIONS

19 Section 2501. Conflict.

20 The sale, manufacture, distribution, possession and use of  
21 approved skill video games, skill video game terminals or other  
22 related skill video game equipment approved by the department in  
23 compliance with this act shall not be deemed to be a violation  
24 of 4 Pa.C.S. Pt. II (relating to gaming), 18 Pa.C.S. § 5513  
25 (relating to gambling devices, gambling, etc.) or the act of  
26 December 19, 1988 (P.L.1262, No.156), known as the Local Option  
27 Small Games of Chance Act.

28 Section 2502. Zoning.

29 The following shall apply:

30 (1) A distributor, operator and establishment shall only



1 have to meet the same municipal zoning and use requirements  
2 as other similar business types that are located in the same  
3 zoning district.

4 (2) A municipality may not:

5 (i) prohibit the placement or play of skill games;

6 or

7 (ii) approve municipal zoning or land use  
8 requirements that restrict or prohibit placement, use or  
9 play of an approved skill video game terminal in a zoning  
10 district that allows any of the following:

11 (A) the sale of beer, wine and spirits;

12 (B) the sale or play of State lottery games at  
13 commercial establishments; or

14 (C) gaming or wagering conducted under 4 Pa.C.S.  
15 Pt. II (relating to gaming).

16 Section 2503. Provisional licenses.

17 (a) Provisional licenses.--

18 (1) A distributor that has filed registration  
19 information with the department under this section shall be  
20 permitted to continue operation.

21 (2) Within 30 days after the effective date of this  
22 paragraph, a distributor shall collect and submit to the  
23 department the licenses application fee payments and  
24 registration information of all licensees. The following  
25 shall apply:

26 (i) A submission to the department under this  
27 paragraph shall include prepayment of the initial license  
28 fee and the registration information.

29 (ii) A distributor shall promptly submit  
30 registration information to the department as the

1 information pertains to operators and establishments in  
2 compliance with the guidelines provided by the  
3 department.

4 (iii) Upon submission of registration information, a  
5 participant shall be considered to have a provisional  
6 license pending.

7 (iv) The fee shall be the same as the initial  
8 license application fee under section 504. A payment  
9 under this paragraph shall be considered payment in full  
10 for an initial license application fee.

11 (v) A provisional license shall be valid until the  
12 department approves and issues the initial license under  
13 this act.

14 (vi) A payment shall be forfeited if the department  
15 declines to issue the initial license or revokes the  
16 provisional license.

17 (vii) If a license is denied or revoked, the  
18 licensee shall cease the distribution, operation or use  
19 of skill video game systems or related equipment.

20 (viii) An establishment shall not be allowed to  
21 operate with a provisional license without having been  
22 approved by a distributor who has submitted the  
23 establishment's name and information to the department.

24 (ix) A distributor, operator and establishment may  
25 buy, use, sell, lease, license or otherwise provide skill  
26 video game systems or related equipment as prescribed by  
27 the department.

28 (x) A distributor may not sell, lease, license or  
29 otherwise provide skill video game systems or ticket  
30 redemption terminals to an operator or establishment that

1 does not qualify or hold a provisional license.

2 (xi) A distributor or operator may not sell, lease,  
3 license or otherwise provide a skill video game system or  
4 ticket redemption terminal to an establishment that does  
5 not qualify or hold a provisional license.

6 (xii) During the provisional license period, the  
7 taxes required under Chapter 17 shall apply to  
8 provisional licensees.

9 (xiii) Each month, a distributor shall be required  
10 to submit a report of terminal identification numbers,  
11 location names, addresses, cash-in, cash-out, tax amounts  
12 per terminal and tax payments to the department no later  
13 than the 15th day of the following month.

14 (3) Beginning 30 days after the effective date of this  
15 paragraph, a distributor or operator may not apply for a  
16 provisional license.

17 (4) An establishment may continue to obtain provisional  
18 licenses in accordance with this section.

19 (5) One year after receipt of an initial license, an  
20 entity shall apply for a renewal license.

21 (b) License fee.--An applicant who applies and pays for a  
22 provisional license application shall not be required to pay an  
23 additional initial license application fee once final rules and  
24 regulations are promulgated by the department. If, for any  
25 reason, the applicant is denied, the applicant shall forfeit the  
26 payment to the department.

27 (c) Enforcement.--Within 30 days after the effective date of  
28 this subsection, a distributor shall coordinate with the  
29 department to ensure that only provisional licensees are  
30 operating accepted skill video games and approved skill video

1 game terminals. A distributor shall provide all tools for law  
2 enforcement to validate approved skill video game software and  
3 skill video game terminals in the field utilizing terminal  
4 identification numbers.

5 Section 2504. Civil actions.

6 The following apply:

7 (1) A civil action may be brought by a private party  
8 against a person who conducts any of the following activities  
9 in this Commonwealth without a valid license to conduct the  
10 activities under this act:

11 (i) sells, leases, licenses or otherwise provides  
12 skill video game software;

13 (ii) sells, leases, licenses, provides or otherwise  
14 distributes approved skill video game terminals; or

15 (iii) possesses and is permitting play of an  
16 approved skill video game terminal.

17 (2) A person commits a felony of the third degree if the  
18 person performs any of the acts for which a private party may  
19 bring a civil action under paragraph (1).

20 Section 2505. Notice.

21 The department shall provide notice to the Legislative  
22 Reference Bureau for publication in the next available issue of  
23 the Pennsylvania Bulletin of the department's date of  
24 commencement of licensing under Chapter 3.

25 Section 2506. Effective date.

26 This act shall take effect as follows:

27 (1) The following provisions shall take effect  
28 immediately:

29 (i) Chapter 25.

30 (ii) This section.

1           (2) The remainder of this act shall take effect in 90  
2       days.