

By: Menendez

H.B. No. 3186

Substitute the following for H.B. No. 3186:

By: Thompson

C.S.H.B. No. 3186

A BILL TO BE ENTITLED

1

AN ACT

2 relating to the authorization and regulation of poker gaming and
3 the duties of the Texas Lottery Commission; providing civil and
4 criminal penalties.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Subtitle A, Title 13, Occupations Code, is
7 amended by adding Chapter 2004 to read as follows:

8 CHAPTER 2004. POKER GAMING

9 SUBCHAPTER A. GENERAL PROVISIONS

10 Sec. 2004.001. SHORT TITLE; APPLICABILITY. (a) This
11 chapter may be cited as the Poker Gaming Act of 2007.

12 (b) This chapter does not apply to the conduct of bingo,
13 charitable raffles, the state lottery, or video poker.

14 Sec. 2004.002. PUBLIC POLICY. (a) All poker gaming
15 conducted in this state and authorized by law shall be regulated and
16 licensed under this chapter unless state or federal law
17 specifically provides otherwise.

18 (b) The legislature finds and declares it to be the public
19 policy of this state that:

20 (1) poker is a game of skill and not a lottery
21 prohibited by the Texas Constitution;

22 (2) unregulated poker gaming conducted by unlicensed
23 operators in public establishments is inimical to the public
24 health, safety, welfare, and good order. A person in this state may

1 not offer and has no right to offer the game of poker for profit
2 except as expressly permitted by the laws of this state;

3 (3) the development of regulated poker gaming in this
4 state will benefit the general welfare of the people of this state
5 by enhancing investment, development, and tourism in this state,
6 resulting in new jobs and additional revenues to this state;

7 (4) the conduct of regulated poker gaming by licensed
8 operators in authorized establishments will not harm the people of
9 this state;

10 (5) the regulation of poker gaming in this state is
11 important to ensure that poker gaming:

12 (A) is conducted honestly and competitively; and

13 (B) is free from criminal and other corruptive
14 elements;

15 (6) public confidence and trust can be maintained only
16 by strict regulation of all persons, locations, practices,
17 associations, and activities related to the conduct of poker gaming
18 and the poker gaming service industry;

19 (7) persons owning any interest in an operator
20 licensed to conduct poker gaming and in distributing materials and
21 specific equipment relating to poker gaming must be licensed and
22 controlled to protect the public health, safety, morals, good
23 order, and general welfare of the people of this state;

24 (8) certain operators and employees of establishments
25 authorized to conduct poker gaming and certain manufacturers and
26 distributors in the poker gaming service industry must be
27 regulated, licensed, and controlled to accomplish and promote these

1 public policies while protecting the public health, safety, morals,
2 good order, and general welfare of the people of this state; and

3 (9) it is the intent of this chapter, where possible,
4 to use the resources, goods, labor, and services of the people of
5 this state in the operation of poker gaming-related amenities to
6 the extent allowable by law.

7 Sec. 2004.003. DEFINITIONS. In this chapter:

8 (1) "Alcoholic beverage" has the meaning assigned by
9 Section 1.04, Alcoholic Beverage Code.

10 (2) "Badge" means a form of identification issued by
11 the commission to identify a license holder.

12 (3) "Bet" means an agreement to win or lose chips or
13 tokens, or an electronic facsimile of either, in a game of poker.

14 (4) "Bonus program" means a local promotion bonus
15 program or a statewide bad beat bonus program.

16 (5) "Cage manager" means an individual who creates and
17 maintains player accounts, provides cash-in and cash-out of chips
18 or player accounts, and creates and maintains the amount of gross
19 receipts tax due and payable to the comptroller by a licensed
20 operator on each day's gross receipts. The cage manager may be
21 assisted by an electronic method to perform any of these duties.

22 (6) "Charitable operator" means a person who holds a
23 charitable operator's license issued by the commission to conduct a
24 charitable poker tournament for a licensed nonprofit organization.

25 (7) "Charitable poker tournament" means a poker
26 tournament conducted by a charitable operator or commercial
27 operator to benefit a licensed nonprofit organization.

1 (8) "Collection fee" means the amount charged on the
2 communal pot for each poker hand played in accordance with Section
3 2004.462.

4 (9) "Commercial operator" means a person who holds a
5 commercial operator's license issued by the commission under
6 Section 2004.103.

7 (10) "Commission" means the Texas Lottery Commission.

8 (11) "Communal pot" means the total amount of wagers
9 collectively made during one hand of poker.

10 (12) "Company" means a corporation, partnership,
11 limited partnership, trust, association, joint stock company,
12 joint venture, limited liability company, or other form of business
13 organization, but does not include a sole proprietorship or natural
14 person.

15 (13) "Creditor interest" means a right or claim of any
16 character against a person for the payment of money borrowed,
17 whether secured or unsecured, matured or unmatured, liquidated or
18 absolute, or fixed or contingent, and includes an obligation based
19 on the person's profits or receipts.

20 (14) "Dealer" means an individual who deals cards to
21 players at each poker gaming table on the premises of a licensed
22 operator.

23 (15) "Director" means the director of poker gaming
24 operations of the commission.

25 (16) "Electronic poker table" means a poker gaming
26 table with components that provides up to 10 player positions and
27 allows players to play against other players in the same poker game

1 using electronic cards and chips.

2 (17) "Equity interest" means a proprietary interest,
3 right, or claim in a company that allows the holder either to vote
4 with respect to matters of organizational governance or to
5 participate in the profits and residual assets of the company,
6 including common and preferred stock in a corporation, a general or
7 limited partnership interest in a partnership, a similar interest
8 in any other form of business organization, or a warrant, right, or
9 similar interest convertible into, or to subscribe for, a
10 proprietary right or claim, with or without the payment of
11 additional consideration.

12 (18) "Executive director" means the executive
13 director of the commission.

14 (19) "Fidelity bond" means insurance against a
15 licensed operator's financial loss resulting from theft or
16 embezzlement by an employee.

17 (20) "Gross receipts" means the total amount
18 accumulated from:

19 (A) the collection fees charged from the communal
20 pot from each poker hand; and

21 (B) the promotion bonus fees charged from the
22 communal pot from each poker hand played.

23 (21) "Licensed nonprofit organization" means a
24 nonprofit organization that holds a license issued by the
25 commission authorizing the organization to benefit from charitable
26 poker tournaments conducted on its behalf.

27 (22) "Licensed operator" means a charitable operator

1 or a commercial operator.

2 (23) "Manufacturer" means:

3 (A) a person who assembles from raw materials or
4 subparts a completed piece of poker gaming equipment or supplies
5 for use in poker gaming in this state; or

6 (B) a person who converts, modifies, adds to, or
7 removes parts from any poker gaming equipment, item, or assembly to
8 further its promotion or sale for or use in poker gaming in this
9 state.

10 (24) "Net proceeds" means, in relation to the gross
11 receipts from a charitable poker tournament, the amount remaining
12 after deducting the reasonable amounts necessarily and actually
13 expended by a licensed operator to conduct the charitable poker
14 tournament.

15 (25) "Nonprofit organization" means an unincorporated
16 association, a corporation that is incorporated or holds a
17 certificate of authority under the Texas Non-Profit Corporation Act
18 (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes), or a
19 nonprofit corporation formed under the Texas Nonprofit Corporation
20 Law, as described by Section 1.008, Business Organizations Code,
21 that:

22 (A) does not distribute any of its income to its
23 members, officers, or governing body, other than as reasonable
24 compensation for services; and

25 (B) has tax-exempt status under Section
26 501(c)(3), Internal Revenue Code of 1986.

27 (26) "Pari-mutuel license holder" means a person

1 licensed to conduct wagering on a greyhound race or a horse race
2 under the Texas Racing Act (Article 179e, Vernon's Texas Civil
3 Statutes).

4 (27) "Player" means a patron who participates in poker
5 gaming on the premises of a licensed operator.

6 (28) "Poker" or "poker game" means a card game in which
7 players place a bet based on the highest or lowest ranking hand of
8 cards held or combination of highest and lowest cards held. For
9 purposes of this chapter, the term includes the game known as Texas
10 Hold'em or any variation or combination of Texas Hold'em, but does
11 not include blackjack, hearts, pinochle, rummy, Internet poker,
12 video poker, or Asian card games such as Pai Gow.

13 (29) "Poker card deck" means a set of 52 cards with 13
14 values and with each card value represented once in each of four
15 suits: spades, hearts, diamonds, and clubs. The term includes
16 actual cards or an electronic facsimile of cards.

17 (30) "Poker gaming" means the conduct of poker games.

18 (31) "Poker gaming equipment" means any equipment or
19 mechanical, electromechanical, or electronic contrivance,
20 component, machine, or device, expendable supply, or other
21 paraphernalia used in conjunction with or to facilitate poker
22 gaming, including a computerized system or software for monitoring
23 poker gaming revenue or a device for weighing or counting money.
24 The term includes playing cards, gaming chips or tokens, or a card
25 shuffling device, or an electronic version of any of those items.

26 (32) "Premises" means the area subject to the direct
27 control of and actual use by a licensed operator to conduct poker

1 gaming. The term includes a location or place.

2 (33) "Principal manager" means a person who, in
3 accordance with commission rules, holds or exercises managerial,
4 supervisory, or policy-making authority over the management or
5 operation of a poker gaming activity that, in the commission's
6 judgment, warrants employee licensing as a principal manager for
7 the protection of the public interest. The term includes a key
8 executive of a holder of a license under this chapter that is a
9 company and each person controlling the holder that is a company.

10 (34) "Promotion bonus fee" means the amount charged
11 from the communal pot for bonus programs from each poker hand played
12 in accordance with Section 2004.461.

13 (35) "Wager" means a bet.

14 [Sections 2004.004-2004.050 reserved for expansion]

15 SUBCHAPTER B. COMMISSION POWERS AND DUTIES

16 Sec. 2004.051. CONTROL AND SUPERVISION OF POKER GAMING;
17 POKER DIVISION. (a) The commission shall administer this chapter.

18 (b) The commission has broad authority and shall exercise
19 strict control and close supervision over all poker gaming
20 conducted in this state to ensure that poker gaming is fairly
21 conducted.

22 (c) The commission shall execute its authority through a
23 poker gaming division established by the commission to administer
24 this chapter.

25 Sec. 2004.052. DIRECTOR OF POKER GAMING OPERATIONS. (a)
26 The commission shall employ a director of poker gaming operations.

27 (b) The director of poker gaming operations shall

1 administer the poker gaming division under the direction of the
2 commission.

3 Sec. 2004.053. OFFICERS AND INVESTIGATORS. The commission
4 may employ officers or investigators the commission considers
5 necessary to administer this chapter.

6 Sec. 2004.054. RULEMAKING AUTHORITY. The commission shall
7 adopt rules as necessary to enforce and administer this chapter.

8 Sec. 2004.055. APPROVAL OF POKER GAMING EQUIPMENT. (a) The
9 commission by rule shall provide procedures for the approval of
10 poker gaming equipment for use in poker gaming in this state.

11 (b) The commission may approve an electronic poker table
12 only if the table is:

13 (1) certified by an independent gaming equipment
14 testing lab recognized by the commission as meeting the standards
15 prescribed by Section 2004.454;

16 (2) commercially available; and

17 (3) in use in other commercial gaming operations.

18 (c) The holder of a license issued under this chapter may
19 not use, sell, or distribute poker gaming equipment that has not
20 been approved by the commission.

21 Sec. 2004.056. PUBLIC INFORMATION. (a) The commission
22 shall provide to any person on request a printed copy of this
23 chapter and the rules applicable to the enforcement of this
24 chapter.

25 (b) The commission may charge a reasonable fee for a copy
26 provided under this section.

27 Sec. 2004.057. ADVISORY OPINIONS. (a) A person may request

1 from the commission an advisory opinion regarding compliance with
2 this chapter and commission rules.

3 (b) The commission shall respond to a request under
4 Subsection (a) not later than the 60th day after the date a request
5 is received, unless the commission determines that the request does
6 not contain sufficient facts to provide an answer on which the
7 requestor may rely. In that event, the commission shall request
8 additional information from the requestor not later than the 10th
9 business day after the date the request is received. If the
10 commission requests additional information, the commission shall
11 respond to the request not later than the 60th day after the date
12 additional information is received pursuant to the request for
13 additional information.

14 (c) A person who requests an advisory opinion under
15 Subsection (a) may act in reliance on the opinion in the conduct of
16 any activity under any license issued under this chapter if the
17 conduct is substantially consistent with the opinion and the facts
18 stated in the request.

19 (d) An advisory opinion issued under this section is not a
20 rule under Subchapter B, Chapter 2001, Government Code, and the
21 rulemaking requirements of that subchapter do not apply to a
22 request for an advisory opinion or any advisory opinion issued by
23 the commission.

24 (e) Nothing in this section precludes the commission from
25 requesting an attorney general's opinion under Section 402.042,
26 Government Code. In the event the commission requests an attorney
27 general's opinion on a matter that is the subject of an advisory

1 opinion request under this section, the deadlines established under
2 Subsection (b) are tolled until the 30th day following the date of
3 issuance of the attorney general's opinion.

4 [Sections 2004.058-2004.100 reserved for expansion]

5 SUBCHAPTER C. LICENSE TO CONDUCT POKER GAMING

6 Sec. 2004.101. OPERATOR'S LICENSE. (a) A person may not
7 conduct poker gaming in the state unless the person holds a
8 charitable operator's license or a commercial operator's license
9 issued by the commission. Poker gaming conducted by a commercial
10 operator, including a charitable poker tournament conducted by the
11 operator to benefit a licensed nonprofit organization, may be
12 conducted only on premises operating in accordance with the
13 operator's license. Poker gaming conducted by a charitable
14 operator may be conducted only at a location specified in a permit
15 authorizing the conduct of a charitable poker tournament.

16 (b) Subsection (a) does not prohibit a person from playing a
17 poker game authorized by other state law.

18 (c) A person may not own an equity interest in a location in
19 this state on which poker gaming is conducted by a commercial
20 operator and for which a commercial operator's license is not in
21 effect.

22 (d) A separate commercial operator's license must be
23 obtained for each location at which poker gaming is conducted by a
24 commercial operator. If the commercial operator is an Indian tribe
25 that holds a license issued under Section 2004.103(a)(1)(B), the
26 location at which poker gaming is conducted under the license must
27 be on the tribe's reservation in this state.

1 (e) Except as otherwise provided by this chapter or
2 commission rule, a commercial operator may not operate more than
3 four poker gaming tables at a single location licensed by the
4 commission. The commission by rule shall determine the number of
5 poker tables a commercial operator that is a pari-mutuel license
6 holder may operate.

7 (f) A separate permit must be obtained for each charitable
8 poker tournament conducted by a licensed operator.

9 Sec. 2004.102. COMMERCIAL OPERATOR'S LICENSE APPLICATION.

10 (a) In accordance with commission rules, an applicant for a
11 commercial operator's license shall file with the commission an
12 application that contains the information identified in
13 Subsections (b) and (c), and any additional information the
14 commission requires to determine the suitability and eligibility of
15 the applicant.

16 (b) The application must include:

17 (1) the name and address of the applicant;

18 (2) the names and addresses of the officers of a
19 company applicant;

20 (3) the name and address of the person that owns the
21 premises where the applicant intends to conduct poker gaming under
22 the license sought;

23 (4) the address of the premises where the applicant
24 intends to conduct poker gaming under the license sought;

25 (5) the name and address of the lessor of the building
26 in which the premises are located, if the applicant leases or will
27 lease the premises at which the applicant intends to conduct poker

1 gaming;

2 (6) for a pari-mutuel license holder applicant, the
3 number of poker tables requested for the holder's racetrack,
4 including the number of tables that are electronic poker tables;
5 and

6 (7) a financial statement certified by a certified
7 public accountant demonstrating that the applicant holds gross
8 capital assets, including land and buildings, of at least \$1
9 million.

10 (c) An applicant must attach to the application a copy of:

11 (1) each license or permit the applicant holds issued
12 by the Texas Alcoholic Beverage Commission authorizing the
13 applicant to serve alcoholic beverages on the premises; or

14 (2) the person's pari-mutuel license.

15 Sec. 2004.103. MANDATORY ISSUANCE OF COMMERCIAL OPERATOR'S
16 LICENSE. (a) The commission shall issue a commercial operator's
17 license to an applicant that:

18 (1) meets one of the following requirements:

19 (A) holds:

20 (i) an alcoholic beverage license or permit
21 issued by the Texas Alcoholic Beverage Commission authorizing the
22 applicant to serve alcoholic beverages on the premises; or

23 (ii) a pari-mutuel license issued by the
24 Texas Racing Commission authorizing the applicant to conduct
25 wagering on a greyhound race or a horse race; or

26 (B) is a federally recognized Indian tribe that
27 has a reservation in this state;

1 (2) files the application in accordance with this
2 chapter;
3 (3) signs the application;
4 (4) pays the required application fee; and
5 (5) meets any additional requirements prescribed by
6 the commission.

7 (b) The commission shall revoke a commercial operator's
8 license issued under Subsection (a)(1)(A) if the operator's
9 alcoholic beverage license or permit or pari-mutuel license, as
10 applicable, expires or is revoked. The Texas Alcoholic Beverage
11 Commission shall notify the commission of any expiration or
12 revocation of an alcoholic beverage license or permit held by a
13 licensed operator. The Texas Racing Commission shall notify the
14 commission of any expiration or revocation of a pari-mutuel license
15 held by a licensed operator.

16 (c) If video surveillance is required under Section
17 2004.468, the commission may not issue a commercial operator's
18 license to an applicant unless the applicant provides the video
19 surveillance equipment required by that section.

20 (d) The commission may adopt rules providing for a person's
21 continued suitability to hold a commercial operator's license.

22 (e) The opportunity to hold a commercial operator's license
23 is a revocable privilege and not a right or property under the
24 United States Constitution or the Texas Constitution. An applicant
25 for or holder of a commercial operator's license does not have a
26 vested interest or right in a license granted under this chapter.

27 Sec. 2004.104. CHARITABLE OPERATOR'S LICENSE. (a) In

1 accordance with commission rules, an applicant for a charitable
2 operator's license shall file with the commission an application
3 that contains the information identified in Subsection (b) and any
4 additional information the commission requires to determine the
5 suitability and eligibility of the applicant.

6 (b) The application must include:

7 (1) the name and address of the applicant;

8 (2) the names and addresses of the officers of an
9 applicant;

10 (3) the name and address of the person that owns the
11 premises where the applicant intends to conduct charitable poker
12 gaming under the license sought;

13 (4) the address of the premises where the applicant
14 intends to conduct charitable poker gaming under the license
15 sought; and

16 (5) the name and address of the lessor of the building
17 in which the premises are located, if the applicant leases or will
18 lease the premises at which the applicant intends to conduct
19 charitable poker gaming.

20 Sec. 2004.105. DETERMINATION OF SUITABILITY TO HOLD
21 CHARITABLE OPERATOR'S LICENSE. (a) The commission shall determine
22 the suitability of an applicant for or holder of a charitable
23 operator's license based on suitability criteria prescribed by the
24 commission. The commission shall adopt the rules and standards
25 necessary to ensure that an applicant for a charitable operator's
26 license or a charitable operator uses the revenue from a charitable
27 poker tournament for bona fide charitable purposes.

1 (b) The burden of proving suitability to receive or hold a
2 charitable operator's license is on the applicant or license
3 holder.

4 (c) The commission shall issue a charitable operator's
5 license to an eligible applicant if the commission determines that
6 the applicant is suitable under the commission's criteria.

7 (d) The commission may adopt rules providing for a person's
8 continued suitability to hold a charitable operator's license and
9 providing for the imposition of sanctions and penalties against a
10 person who does not comply with this chapter or rules adopted under
11 this chapter.

12 (e) The opportunity to hold a charitable operator's license
13 is a revocable privilege and not a right or property under the
14 United States Constitution or the Texas Constitution. An applicant
15 for or holder of a charitable operator's license does not have a
16 vested interest or right in a license granted under this chapter.

17 Sec. 2004.106. NONTRANSFERABILITY. A commercial
18 operator's license applies only to the specific premises location
19 identified in the license and is not transferable to another person
20 or location.

21 Sec. 2004.107. REGISTRATION OF INTEREST IN OPERATOR. (a)
22 Except as provided by Subsection (b), a person who directly or
23 indirectly owns an equity interest or creditor interest in an
24 applicant for or holder of a commercial operator's license shall
25 register and qualify with the commission under commission rules and
26 shall provide information the commission finds necessary to
27 determine the suitability and eligibility of the person to retain

1 the interest.

2 (b) The following persons are not required to register or
3 qualify under this section:

4 (1) an employee of a licensed operator who is required
5 to apply for an employee's license under Subchapter D;

6 (2) an institutional investor; or

7 (3) any other group or class of persons that the
8 commission by rule exempts from registration or qualification.

9 (c) The commission shall adopt rules to implement this
10 section, including rules establishing procedures for registration
11 application, qualification, and renewal. A registration filed
12 under this section must be accompanied by the required application
13 fee.

14 [Sections 2004.108-2004.130 reserved for expansion]

15 SUBCHAPTER C-1. NONPROFIT ORGANIZATION LICENSE; CHARITABLE POKER
16 TOURNAMENT PERMIT

17 Sec. 2004.131. LICENSE REQUIRED. (a) A licensed operator
18 may not conduct a charitable poker tournament to benefit a
19 nonprofit organization unless the organization holds a license
20 issued under this subchapter.

21 (b) A licensed operator shall ensure that each nonprofit
22 organization receiving any portion of the net proceeds of a
23 charitable poker tournament conducted by the operator holds a
24 license issued by the commission under this subchapter.

25 Sec. 2004.132. LICENSE APPLICATION. (a) An applicant for a
26 nonprofit organization license must:

27 (1) submit an application to the commission on the

1 form prescribed by the commission and in accordance with commission
2 rules;

3 (2) present sufficient facts relating to the
4 applicant's incorporation and organization to enable the
5 commission to determine whether the applicant may be licensed under
6 this subchapter; and

7 (3) submit the required application fee.

8 (b) An applicant for a nonprofit organization license
9 shall:

10 (1) sign the application; and

11 (2) attest under penalties of perjury that the
12 information contained in the application is true, correct, and
13 complete.

14 (c) A copy of an Internal Revenue Service letter that
15 approves an applicant's exemption from taxation under Section
16 501(c)(3), Internal Revenue Code of 1986, is adequate evidence of
17 the person's tax-exempt status. A letter of good standing from a
18 parent organization that holds an exemption from taxation under
19 Section 501(c)(3), Internal Revenue Code of 1986, for both the
20 parent organization and its affiliate is adequate evidence of the
21 affiliate organization's tax-exempt status.

22 (d) Not later than the 30th day after the date the
23 commission grants an application for a nonprofit organization
24 license, the commission shall issue the license to the applicant.

25 Sec. 2004.133. DETERMINATION OF SUITABILITY OF NONPROFIT
26 ORGANIZATION LICENSE APPLICANT OR HOLDER. (a) The commission
27 shall determine the suitability of an applicant for or holder of a

1 nonprofit organization license based on suitability criteria
2 prescribed by the commission to ensure that the applicant is a bona
3 fide nonprofit organization and that revenue from a charitable
4 poker tournament will be used for bona fide charitable purposes.

5 (b) The burden of proving suitability to receive or hold a
6 license is on the applicant or license holder.

7 (c) The commission shall issue a nonprofit organization
8 license to an eligible applicant if the commission determines that
9 the applicant is suitable under the commission's criteria.

10 (d) The commission may adopt rules providing for a nonprofit
11 organization's continued suitability to hold a license under this
12 chapter and providing for the imposition of sanctions and penalties
13 against an organization that does not comply with this chapter or
14 rules adopted under this chapter.

15 (e) The opportunity to hold a nonprofit organization
16 license is a revocable privilege and not a right or property under
17 the United States Constitution or the Texas Constitution. An
18 applicant for or holder of a nonprofit organization license does
19 not have a vested interest or right in a license granted under this
20 chapter.

21 Sec. 2004.134. PERMIT FOR CHARITABLE POKER TOURNAMENT. (a)
22 A licensed operator may conduct a charitable poker tournament only
23 for which the operator holds a permit issued under this section.

24 (b) A licensed operator may apply for a permit to conduct a
25 charitable poker tournament by filing an application with the
26 commission on a form prescribed by the commission accompanied by
27 the required fee not less than 30 days before the date of the

1 charitable poker tournament.

2 (c) The application must include the location, date, and
3 hours of the charitable poker tournament and the name of the
4 licensed nonprofit organization the tournament will benefit.

5 (d) The application for a charitable poker tournament
6 permit must:

7 (1) be submitted in accordance with commission rules;

8 (2) include the address and dimensions of the facility
9 where the tournament will occur;

10 (3) include the date and hours of the tournament;

11 (4) include the name of each licensed nonprofit
12 organization the tournament will benefit; and

13 (5) include the number of poker tables requested for
14 the tournament, including the number of tables that are electronic
15 poker tables.

16 (e) An applicant for a charitable poker tournament permit
17 shall:

18 (1) sign the application; and

19 (2) attest under penalties of perjury that the
20 information contained in the application is true, correct, and
21 complete.

22 (f) Not later than the 10th day after the date the
23 commission grants an application for a permit, the commission shall
24 deliver the permit to the licensed operator. The permit must state
25 the location, date, hours, and number of tables authorized for the
26 charitable poker tournament. The operator must prominently display
27 the permit at the charitable poker tournament.

1 (g) The permit is valid only for the hours, date, and
2 location specified by the permit.

3 (h) A licensed operator may only operate the number of poker
4 gaming tables specified in the permit at the charitable poker
5 tournament.

6 Sec. 2004.135. CHARITABLE POKER TOURNAMENT; NET PROCEEDS.

7 (a) A licensed operator may conduct a charitable poker tournament
8 for the benefit of a licensed nonprofit organization.

9 (b) A licensed operator shall pay to a licensed nonprofit
10 organization all net proceeds from a charitable poker tournament
11 not later than the 30th day after the date of the tournament. The
12 expenses of conducting the tournament deducted by a licensed
13 operator may not exceed 30 percent of gross receipts. The expenses
14 must be reasonable or necessary to conduct the poker gaming and may
15 include expenses for:

16 (1) advertising, including the cost of printing poker
17 gaming gift certificates;

18 (2) security;

19 (3) repairs to equipment and the premises where the
20 tournament is conducted;

21 (4) poker gaming equipment and supplies used during
22 the tournament;

23 (5) prizes;

24 (6) taxes in accordance with Subchapter H;

25 (7) rental or mortgage and insurance expenses;

26 (8) bookkeeping, legal, or accounting services
27 related to the tournament;

1 (9) fees for dealers, cashiers, janitorial services,
2 and utility supplies and services;

3 (10) the permit fee; and

4 (11) debit card transaction fees.

5 (c) A licensed nonprofit organization must use the proceeds
6 from the charitable poker tournament for its charitable purposes.

7 Sec. 2004.136. DENIAL OR REVOCATION OF NONPROFIT
8 ORGANIZATION LICENSE. (a) The commission may deny an application
9 for or suspend, limit, or revoke a nonprofit organization's license
10 for any reasonable cause.

11 (b) If the commission determines that it has reasonable
12 grounds to believe that a licensed nonprofit organization might be
13 unsuitable to continue to hold the license, for protection of the
14 public health, safety, morals, and general welfare of the people of
15 this state and of the reputation of this state's poker gaming
16 industry, the commission shall conduct an investigation and hearing
17 in accordance with Subchapter J and, based on the commission's
18 determination, may deny, suspend, limit, or revoke the license.

19 (c) A nonprofit organization that has had a license
20 suspended or revoked may not receive, directly or indirectly, any
21 proceeds, compensation, consideration, or payment of any kind
22 relating to the conduct of a charitable poker tournament, other
23 than a tournament that took place before the suspension or
24 revocation.

25 [Sections 2004.137-2004.150 reserved for expansion]

26 SUBCHAPTER D. EMPLOYEE'S LICENSES

27 Sec. 2004.151. DEALER'S LICENSE REQUIRED. A person may not

1 act as a dealer unless the person holds a dealer's license.

2 Sec. 2004.152. ISSUANCE OF DEALER'S LICENSE. (a) A
3 licensed operator shall ensure that each dealer employed by the
4 operator holds a dealer's license issued by the commission.

5 (b) A dealer's license application must:

6 (1) be submitted in accordance with commission rules;
7 (2) contain the information the commission requires to
8 determine the applicant's suitability and eligibility to act as a
9 dealer; and

10 (3) be accompanied by the required application fee.

11 (c) An applicant for a dealer's license shall:

12 (1) sign the application; and
13 (2) attest under penalties of perjury that the
14 information contained in the application is true, correct, and
15 complete.

16 (d) The commission shall conduct a criminal background
17 check on each applicant for a dealer's license.

18 (e) Not later than the 60th day after the date the
19 commission grants an application for a dealer's license, the
20 commission shall issue a dealer's badge to the applicant. A
21 licensed dealer must prominently display on the dealer's person the
22 badge issued by the commission at all times when the dealer is on
23 the premises of a licensed operator as an employee of the licensed
24 operator.

25 Sec. 2004.153. RESIDENCY. A person is eligible to apply for
26 and hold a dealer's license without regard to the applicant's
27 residency in this state.

1 Sec. 2004.154. DETERMINATION OF SUITABILITY OF DEALER'S
2 LICENSE APPLICANT OR HOLDER. (a) The commission shall determine
3 the suitability of an applicant for or holder of a dealer's license
4 based on suitability criteria prescribed by the commission to
5 ensure that the applicant or dealer:

6 (1) has not been convicted of a felony;

7 (2) has not had a complaint alleging physical
8 intimidation filed against the applicant or dealer with a law
9 enforcement authority;

10 (3) has sufficient business probity, competence, and
11 training or experience in the poker gaming industry to act as a
12 dealer; and

13 (4) is otherwise qualified to be licensed.

14 (b) The burden of proving suitability to receive or hold a
15 dealer's license is on the applicant or license holder.

16 Sec. 2004.155. DENIAL OR REVOCATION OF DEALER'S LICENSE.

17 (a) The commission may deny an application for or suspend, limit,
18 or revoke a dealer's license for any reasonable cause.

19 (b) If the commission determines that it has reasonable
20 grounds to believe that a licensed dealer might be unsuitable to
21 continue to hold the license, for protection of the public health,
22 safety, morals, and general welfare of the people of this state and
23 of the reputation of this state's poker gaming industry, the
24 commission shall conduct an investigation and hearing as provided
25 by Subchapter J and, based on the commission's determination, may
26 deny, suspend, limit, or revoke a dealer's license.

27 (c) On the suspension or revocation of a dealer's license,

1 the license holder may not provide services in any capacity
2 requiring a license under Section 2004.151.

3 (d) A holder of a dealer's license that has been suspended
4 or revoked may not:

5 (1) receive, directly or indirectly, any
6 compensation, consideration, or payment of any kind relating to the
7 conduct of gaming in any capacity requiring a license under Section
8 2004.151, other than payment for services rendered before the
9 suspension or revocation; or

10 (2) serve or function in a capacity that would require
11 a license under Section 2004.151.

12 (e) The receipt and holding of a dealer's license is a
13 privilege and is not a right or property under the United States
14 Constitution or the Texas Constitution. An applicant for or holder
15 of a dealer's license does not have a vested interest or right in a
16 license granted under this chapter.

17 Sec. 2004.156. TRAINING PROGRAM FOR LICENSED DEALERS. (a)
18 A licensed dealer shall complete a training program in accordance
19 with commission rule.

20 (b) A training program approved by the commission must
21 include training related to:

22 (1) the conduct of poker gaming;

23 (2) the administration and operation of poker gaming;

24 (3) the promotion of poker gaming; and

25 (4) gaming awareness, including:

26 (A) problem or compulsive gambling;

27 (B) cheating techniques;

1 (C) underage gaming; and

2 (D) criminal awareness.

3 (c) The commission by rule shall establish:

4 (1) the content and time frame of the training
5 program;

6 (2) information related to training that must be
7 reported to the commission; and

8 (3) other training program requirements the
9 commission determines are necessary to promote the fair conduct of
10 poker gaming and compliance with this chapter.

11 Sec. 2004.157. OTHER EMPLOYEE'S LICENSES. (a) The
12 commission by rule may establish other employee's licenses the
13 commission determines are necessary to protect the public health,
14 safety, morals, and general welfare of the people of this state,
15 including licenses for principal managers, cage managers, owners,
16 and card room service personnel.

17 (b) A person may not engage in any conduct for which the
18 commission requires a person to hold a license under this section
19 unless the person holds the applicable license.

20 (c) The commission by rule shall prescribe procedures
21 governing licenses issued under this section as the commission
22 determines appropriate.

23 [Sections 2004.158-2004.200 reserved for expansion]

24 SUBCHAPTER E. MANUFACTURER'S AND DISTRIBUTOR'S LICENSES

25 Sec. 2004.201. MANUFACTURER'S LICENSE. (a) A person may
26 not engage in any activity related to the poker gaming equipment
27 manufacturing industry in this state for which a manufacturer's

1 license is required unless the person holds a manufacturer's
2 license for that activity.

3 (b) The commission shall adopt rules identifying activities
4 related to the design, manufacture, assembly, production, sale,
5 lease, marketing, distribution, or repair of poker gaming equipment
6 in this state for use in poker gaming authorized under this chapter
7 that the commission determines appropriate for licensing under this
8 section.

9 (c) A manufacturer's license is personal to the license
10 holder and allows the holder to conduct business related to the
11 licensed activity with any premises licensed to operate electronic
12 poker tables and poker gaming in this state.

13 Sec. 2004.202. DISTRIBUTOR'S LICENSE. (a) A person may not
14 distribute or offer to distribute poker gaming equipment for use in
15 poker gaming authorized under this chapter in this state, including
16 electronic poker tables, unless the person holds a distributor's
17 license under this subchapter.

18 (b) A person must obtain a distributor's license to
19 distribute poker gaming equipment in this state to a licensed
20 operator for use on premises at which poker gaming is conducted for
21 profit.

22 (c) A distributor's license is personal to the license
23 holder and allows the holder to conduct business with any premises
24 licensed to operate poker gaming in this state. The license is not
25 transferable.

26 Sec. 2004.203. LICENSE APPLICATION. (a) In accordance
27 with commission rules, an applicant for a manufacturer's license or

1 distributor's license shall file with the commission an application
2 that contains information the commission requires to determine the
3 suitability and eligibility of the applicant.

4 (b) The application must be signed by an applicant that is
5 an individual or by the presiding officer and the secretary of an
6 applicant that is a company. Each signatory shall attest under
7 penalties of perjury that the information contained in the
8 application is true, correct, and complete.

9 (c) An application for a manufacturer's license or
10 distributor's license must be accompanied by the required
11 application fee.

12 Sec. 2004.204. SUITABILITY DETERMINATION. (a) In
13 considering the suitability of a company applying for or holding a
14 manufacturer's license or distributor's license, the commission
15 shall consider the suitability of each principal manager and each
16 holder of an equity interest or creditor interest in the company
17 applicant to individually receive and hold a manufacturer's license
18 or distributor's license based on the suitability standards that
19 apply to the company applicant. A person may not hold a
20 manufacturer's license or distributor's license if that person
21 would be found unsuitable to hold an operator's license.

22 (b) If the commission determines that it has reasonable
23 grounds to believe an applicant or license holder is unsuitable to
24 hold a manufacturer's license or distributor's license, the
25 commission shall conduct an investigation and hearing under
26 Subchapter J and, based on the commission's determination, may
27 deny, suspend, limit, or revoke the license.

1 (c) On suspension or revocation of a license, the license
2 holder may not perform any manufacturing activity or distribution
3 activity requiring a license under this chapter. A holder of a
4 manufacturer's or distributor's license that has been suspended or
5 revoked may not receive, directly or indirectly, compensation,
6 consideration, or payment of any kind relating to any manufacturing
7 or distribution activity in any capacity requiring a license under
8 this chapter, other than payment for goods provided before the
9 suspension or revocation.

10 (d) A licensed operator who has entered into a lease with a
11 manufacturer or distributor whose license has been suspended or
12 revoked may continue to make payments on the lease based on the
13 original terms of the lease without modification or may accelerate
14 the lease and pay it off, at the sole option of the operator.

15 (e) The burden of proving suitability to receive or hold a
16 manufacturer's or distributor's license is on the applicant or
17 license holder.

18 [Sections 2004.205-2004.300 reserved for expansion]

19 SUBCHAPTER F. LICENSE RENEWAL

20 Sec. 2004.301. TEMPORARY LICENSE. (a) Before issuing a
21 license under this chapter, the commission may issue a temporary
22 license for a period not to exceed six months and may renew the
23 temporary license as many times as the commission determines
24 appropriate on the payment of the fee and execution of the bond, if
25 required.

26 (b) The commission may issue a temporary license only to a
27 person the commission believes will be qualified to hold the

1 license based on:

2 (1) the commission's review of the background
3 investigations conducted by other state agencies or other
4 government agencies in United States jurisdictions with regulated
5 poker gaming activities; and

6 (2) the commission's determination that the background
7 investigations of the applicant failed to reveal anything that
8 would cause the applicant not to qualify for a license in this
9 state.

10 Sec. 2004.302. TERM; RENEWAL. (a) A license issued under
11 this chapter expires on the first anniversary of the date of
12 issuance.

13 (b) A license holder may annually renew a license by meeting
14 the commission's licensing requirements and paying the annual
15 license fee.

16 (c) A commercial operator must at all times hold:

17 (1) an alcoholic beverage license or permit issued by
18 the Texas Alcoholic Beverage Commission authorizing the operator to
19 serve alcoholic beverages on the premises licensed by the
20 commission; or

21 (2) a pari-mutuel license issued by the Texas Racing
22 Commission authorizing the applicant to conduct wagering on a
23 greyhound race or a horse race.

24 (d) The operator shall submit with each license renewal fee
25 a renewal application on a form developed by the commission.

26 (e) A commercial operator shall immediately notify the
27 commission on cancellation or revocation by the Texas Alcoholic

1 Beverage Commission of any license or permit authorizing the
2 operator to serve alcoholic beverages on the premises licensed by
3 the commission. The Texas Alcoholic Beverage Commission shall
4 notify the commission when it cancels or revokes a license or permit
5 authorizing an operator to serve alcoholic beverages.

6 (f) A commercial operator shall immediately notify the
7 commission on cancellation or revocation by the Texas Racing
8 Commission of any pari-mutuel license held by the commercial
9 operator authorizing the operator to conduct wagering on a
10 greyhound race or a horse race. The Texas Racing Commission shall
11 notify the commission when the Texas Racing Commission cancels or
12 revokes a pari-mutuel license authorizing an operator to conduct
13 wagering on a greyhound race or a horse race.

14 (g) The commission shall adopt rules for temporary
15 suspension of a commercial operator's license pending reissuance of
16 the license or reissuance of a permit to serve alcoholic beverages
17 on the premises licensed by the commission.

18 [Sections 2004.303-2004.350 reserved for expansion]

19 SUBCHAPTER G. APPLICATION AND LICENSE FEES

20 Sec. 2004.351. APPLICATION FEES. (a) Except as provided by
21 Subsection (b), an applicant for a license required by this chapter
22 shall pay an application fee in the amount of:

- 23 (1) \$1,000 for a commercial operator's license;
24 (2) \$1,000 for a charitable operator's license;
25 (3) \$100 for a nonprofit organization license;
26 (4) \$100 for a dealer's license;
27 (5) \$250 for a manufacturer's license; or

1 (6) \$250 for a distributor's license.

2 (b) The commission may increase an application fee if the
3 amount prescribed by Subsection (a) does not cover the commission's
4 cost of evaluating the application and issuing a license.

5 (c) Application fees are nonrefundable and must:

6 (1) be in the form prescribed by the commission; and

7 (2) be payable to the commission.

8 (d) The commission shall apply an application fee toward the
9 cost of investigating the applicant's suitability for licensing or
10 qualification under this chapter. The applicant shall pay any
11 costs of investigation incurred in excess of the assessed
12 application fee.

13 Sec. 2004.352. LICENSE FEES. A holder of a license issued
14 under this chapter shall annually pay the commission a license fee
15 in the amount of:

16 (1) \$1,000 for a charitable or commercial operator's
17 license;

18 (2) \$100 for a dealer's license;

19 (3) \$250 for a manufacturer's license;

20 (4) \$250 for a distributor's license; or

21 (5) \$100 for a nonprofit organization license.

22 [Sections 2004.353-2004.400 reserved for expansion]

23 SUBCHAPTER H. TAXES

24 Sec. 2004.401. GROSS RECEIPTS TAX. (a) A tax is imposed on
25 the gross receipts received in connection with the premises of a
26 commercial operator conducting poker gaming under this chapter.

27 (b) The tax rate is 18 percent of the gross receipts

1 received by a commercial operator for poker gaming unless the poker
2 gaming is for a charitable poker tournament.

3 (c) The tax rate is five percent of the gross receipts
4 received by a licensed operator during a charitable poker
5 tournament.

6 Sec. 2004.402. PAYMENT AND REPORTING OF TAX. (a) A
7 licensed operator must electronically submit a report of each day's
8 total gross receipts to the comptroller not later than 5 p.m. on the
9 day following the day the gross receipts were collected.

10 (b) The tax is due and payable by the licensed operator to
11 the comptroller not later than the deadline provided by Subsection
12 (a) for the report required by that subsection. The depository used
13 by a licensed operator for deposit of gross receipts taxes due to
14 the comptroller must be a licensed financial institution located in
15 this state. The comptroller may sweep or debit the licensed
16 operator's bank account on a daily basis to collect the gross
17 receipts tax due and payable. A licensed operator may not continue
18 to conduct any poker gaming activity on the operator's premises if,
19 at the time the comptroller sweeps the account, the amount reported
20 under Subsection (a) is not available for collection.

21 (c) The report of a tax must be filed under oath on forms
22 prescribed by the commission.

23 (d) The comptroller and the commission shall adopt rules for
24 the payment of the tax.

25 (e) A licensed operator required to file a tax return with
26 the comptroller shall provide a copy of the tax return to the
27 commission in the manner prescribed by commission rule.

1 (f) The comptroller shall deposit the revenue collected
2 under this section to the credit of the poker gaming revenue fund.

3 Sec. 2004.4025. POKER GAMING REVENUE FUND. (a) The poker
4 gaming revenue fund is established as an account held outside the
5 treasury.

6 (b) Money in the poker gaming revenue fund may be used only
7 for the following purposes:

8 (1) the payment of costs incurred by this state in the
9 regulation of poker gaming under this chapter; and

10 (2) after a sufficient amount is retained in the fund
11 to cover the costs provided by Subdivision (1), the balance to be
12 transferred on or before the 15th day of each month to the Texas
13 Department of Housing and Community Affairs to be used only as
14 follows:

15 (A) 50 percent for grants to municipalities,
16 counties, and nonprofit organizations to support activities
17 relating to:

18 (i) shelter and services for the homeless
19 and the prevention of homelessness;

20 (ii) renovation of shelters for use as
21 homeless shelters;

22 (iii) assistance to the homeless in
23 obtaining permanent housing;

24 (iv) medical and psychological counseling
25 for the homeless; and

26 (v) the supervision, development, and
27 implementation of homeless prevention activities; and

1 (B) the remainder to the housing trust fund
2 established under Section 2306.201, Government Code.

3 Sec. 2004.403. PENALTIES FOR FAILURE TO PAY OR REPORT TAX.

4 (a) A licensed operator that fails to deposit gross receipts tax
5 due and payable to the comptroller for the gross receipts collected
6 at the operator's premises by the deadline for payment of the tax
7 prescribed by Section 2004.402 may not conduct poker gaming at
8 those premises until the tax is paid.

9 (b) For an electronic poker table, the comptroller shall:

10 (1) electronically communicate with each electronic
11 poker table daily to verify that the software for the table is
12 functioning properly;

13 (2) electronically verify that this state has
14 collected the gross receipts tax imposed on the gross receipts of
15 the electronic poker table;

16 (3) develop rules providing minimum standards for
17 electronic poker tables used for charitable gaming activities; and

18 (4) electronically communicate with the table to
19 permit the table to be operational that day.

20 (c) If the gross receipts tax for an electronic poker table
21 has not been collected or the software for the electronic poker
22 table is not functioning properly, the comptroller shall prohibit
23 the operation of the electronic poker table by ensuring the table
24 does not receive the necessary communication from the comptroller
25 to be operational that day. The licensed operator must give the
26 comptroller and the commission assurances that the electronic poker
27 table will not open for play on that day or any subsequent day until

1 all gross receipts tax, interest, and penalties have been paid. The
2 comptroller shall adopt rules related to the assurances that a
3 licensed operator must give to the comptroller and commission under
4 this subsection.

5 (d) If a person fails to report gross receipts as required
6 by this subchapter or fails to pay to the comptroller taxes imposed
7 under this subchapter later than the second day after the date the
8 report or payment is due, the commission shall compute and
9 determine the amount of taxes required to be paid and shall assess a
10 penalty equal to five percent of the taxes owed. If the payment is
11 not received by the 30th day after the date the gross receipts tax
12 is due, the commission shall assess an additional penalty equal to
13 five percent of the gross receipts tax.

14 (e) A delinquent tax accrues interest at the rate provided
15 by Section 111.060, Tax Code, beginning on the 60th day after the
16 tax due date.

17 (f) Interest at the rate of 10 percent a year attaches to a
18 delinquency penalty imposed under Subsection (d), beginning on the
19 60th day after the date the penalty is imposed.

20 Sec. 2004.404. RECOMPUTATION OF TAX. (a) If the commission
21 is not satisfied with a tax return or the amount of tax required to
22 be remitted under this chapter to this state by a licensed operator,
23 the commission or the comptroller may compute and determine the
24 amount required to be paid on the basis of:

25 (1) the facts contained in the return or report of
26 receipts; or

27 (2) any information that the commission or comptroller

1 possesses, or that may come into the possession of the commission,
2 without regard to the period covered by the information.

3 (b) A licensed operator subject to a tax computed under this
4 section may request an investigation and hearing under Subchapter
5 J, at which the person may present evidence on the amount of tax
6 due.

7 (c) The commission shall conduct an audit of the person's
8 accounts as part of the investigation under Section 2004.501.

9 Sec. 2004.405. DETERMINATION IF NO RETURN MADE. (a) If a
10 licensed operator fails to make a required return or if a person
11 conducts poker gaming without a license issued under this chapter,
12 the commission shall estimate the gross receipts received by the
13 operator or person. The estimate must cover the period for which
14 the operator failed to make a return or during which the person
15 conducted poker gaming without a license.

16 (b) An estimate under this section must be based on any
17 information covering any period that the commission possesses or
18 that may come into the possession of the commission.

19 (c) On the basis of the commission's estimate, the
20 commission shall compute and determine the amount of taxes imposed
21 by this subchapter on those gross receipts and assess a penalty
22 equal to 10 percent of that tax amount.

23 (d) One or more determinations may be made under this
24 section for one or more periods.

25 Sec. 2004.406. JEOPARDY DETERMINATION. (a) If the
26 commission believes that the collection of a gross receipts tax
27 required to be paid or the amount of a determination under Section

1 2004.405 will be jeopardized by delay, the commission shall make a
2 determination of the amount of the tax required to be collected,
3 noting the finding of jeopardy on the determination. The
4 determined amount is due and payable immediately.

5 (b) If a license holder does not pay the amount specified by
6 a determination on or before the 20th day after the date of service
7 of the determination on the license holder, the amount becomes
8 final at the end of the 20th day unless the license holder files a
9 petition for redetermination on or before the 20th day after
10 service of notice of the determination.

11 (c) A delinquency penalty of 10 percent of the tax and
12 interest at the rate of 10 percent a year attaches to the amount of
13 the tax required to be collected.

14 Sec. 2004.407. APPLICATION OF TAX LAWS. Subtitle B, Title
15 2, Tax Code, applies to the administration, collection, and
16 enforcement of the gross receipts tax imposed under Section
17 2004.401 except as modified by this chapter.

18 Sec. 2004.408. DELINQUENCY: SEIZURE AND SALE. (a) At any
19 time within three years after a person becomes delinquent in the
20 payment of a gross receipts tax imposed under this subchapter, the
21 commission may collect the amount under this section.

22 (b) The commission may order the sheriff or constable for
23 the jurisdiction in which licensed poker gaming tables for which a
24 gross receipts tax is delinquent to conduct the seizure and sale
25 authorized by this section. The sheriff or constable may deduct
26 reasonable expenses from any amount realized by sale of the
27 property.

1 (c) The commission or sheriff or constable shall seize
2 personal or real property of the license holder that is not exempt
3 from execution under the laws of this state and sell the property at
4 public auction to pay the amount of taxes due, any interest or
5 penalties due on those taxes, and any expense incurred in
6 connection with the seizure and sale. Personal property shall be
7 seized and sold first, and real property may be seized and sold only
8 if the sale of personal property does not produce an amount
9 sufficient to pay the total amount of taxes, interest, or penalties
10 due. The seizure and sale must be conducted in accordance with
11 applicable state law.

12 Sec. 2004.409. SECURITY. (a) Not later than the fifth day
13 after the date the licensed operator receives notice from the
14 commission of an order approving the application for an operator's
15 license, each operator, to secure payment of the gross receipts tax
16 imposed under this subchapter, shall furnish to the commission
17 security in the form and amount the commission considers
18 appropriate, which may be in the form of:

- 19 (1) a cash bond;
20 (2) a bond from a surety company chartered or
21 authorized to conduct business in this state;
22 (3) certificates of deposit;
23 (4) certificates of savings;
24 (5) United States treasury bonds; or
25 (6) subject to the approval of the commission, an
26 assignment of negotiable stocks or bonds.

27 (b) The commission shall set the amount of the security,

1 taking into consideration the amount of money that has or is
2 expected to become due from the licensed operator, based on the
3 number of poker gaming tables to be operated on the operator's
4 premises. The commission may adjust the amount of security
5 required after the licensed operator begins conducting poker gaming
6 on the premises and paying gross receipts taxes.

7 (c) If a license holder fails to pay the gross receipts tax
8 imposed under this subchapter, the commission may notify the
9 license holder and any surety of the delinquency by jeopardy or
10 deficiency determination. If payment is not made when due, the
11 commission may order the forfeit of all or part of the security to
12 cover the amount due.

13 (d) If the licensed operator ceases to conduct poker gaming
14 and relinquishes the operator's license, the commission shall
15 authorize the release of all security on a determination that no
16 amounts of the gross receipts tax remain due and payable under this
17 subchapter.

18 [Sections 2004.410-2004.450 reserved for expansion]

19 SUBCHAPTER I. REGULATION OF POKER GAMING OPERATIONS

20 Sec. 2004.451. REGULATION OF POKER GAMING OPERATIONS. The
21 commission shall adopt rules applicable to the operation of poker
22 gaming at a licensed operator's premises as the commission
23 determines necessary for the protection of the public health,
24 safety, morals, and general welfare of the people of this state and
25 of the reputation of this state's poker gaming industry.

26 Sec. 2004.452. HOURS OF OPERATION. A licensed operator may
27 conduct poker gaming on the premises covered by the license during

1 the hours of operation allowed in the alcoholic beverage license or
2 permit issued by the Texas Alcoholic Beverage Commission or in
3 applicable local law, or at any time if the operator's hours of
4 operation are not so limited. A licensed operator may elect other
5 hours of operation. The hours of operation for poker gaming must be
6 clearly posted in the poker gaming area. The hours of operation for
7 a charitable poker tournament shall be determined by the commission
8 and be specified in the permit.

9 Sec. 2004.453. TABLE LIMITS. Table limits for each poker
10 gaming table shall be established by the licensed operator. The
11 licensed operator may conduct tournaments at any time and charge a
12 buy-in fee not to exceed \$100 and a tournament registration fee not
13 to exceed \$30.

14 Sec. 2004.454. ELECTRONIC POKER TABLE. (a) An electronic
15 poker table must:

16 (1) provide each player position with a touch screen
17 that allows the player to:

18 (A) view cards dealt to the player and the
19 remaining chips and other game information; and

20 (B) input game decisions;

21 (2) include a video screen in the center of the table
22 that displays game information, chips bet by each player, and cards
23 dealt to all players;

24 (3) maintain a complete hand history for a period of 30
25 days that is accessible to the commission by remote connection;

26 (4) display the collection fee for the game in a
27 central location viewable by all players;

1 (5) provide a feature that enables a replay of the
2 previous game; and

3 (6) provide a feature that enables complete recovery
4 of the complete game if a power disruption occurs.

5 (b) An electronic poker table must use:

6 (1) a central server to deal electronic cards to each
7 player in a poker hand; and

8 (2) a cage management system application to automate
9 the creation and maintenance of accounts for players at the table,
10 to perform cash-in and cash-out functions, and for payment of the
11 gross receipts tax to this state.

12 Sec. 2004.455. BANK. A licensed operator shall establish
13 on the operator's premises a bank to convert legal United States
14 tender into chips or tokens and to convert chips or tokens into
15 cash.

16 Sec. 2004.456. USE OF CHIPS OR TOKENS. (a) All poker
17 gaming conducted by a licensed operator shall be conducted using
18 chips or tokens approved by the commission or be conducted on an
19 electronic poker table approved by the commission.

20 (b) All chips or tokens must bear the logo of the licensed
21 operator's premises and must be manufactured in a manner designed
22 to substantially decrease the chips' or tokens' susceptibility to
23 counterfeiting. The commission may inspect a licensed operator's
24 chips or tokens to confirm compliance with this section.

25 Sec. 2004.457. USE OF PLAYING CARDS. (a) Poker gaming
26 conducted by a licensed operator shall be played with one or more
27 poker industry standard poker card decks or, for an electronic

1 poker table, on an electronic poker table approved by the
2 commission that displays cards.

3 (b) Each poker card deck used in poker gaming must be sealed
4 with a label indicating the deck was manufactured or distributed by
5 a licensed manufacturer or distributor.

6 (c) Not more than 50 separate poker hands may be played with
7 the same poker card deck.

8 (d) Each poker card deck must be monitored and cataloged in
9 a log that documents the exact location of the cards on a licensed
10 operator's premises.

11 Sec. 2004.458. RULES OF PLAY. All poker rules used in poker
12 gaming conducted by a licensed operator shall be submitted to and
13 approved by the commission.

14 Sec. 2004.459. BOND REQUIREMENT. (a) Each employee of a
15 licensed operator who handles cash, other than an employee employed
16 to serve alcoholic beverages, must be bonded.

17 (b) For each employee required to comply with Subsection
18 (a), a licensed operator shall:

19 (1) submit to the commission a copy of the certificate
20 evidencing that the employee has obtained a fidelity bond from a
21 surety company chartered or authorized to conduct business in this
22 state; and

23 (2) post a copy of the certificate in a conspicuous
24 location on the operator's premises.

25 Sec. 2004.460. BADGES. (a) During the operation of poker
26 gaming, each individual licensed under this chapter shall wear in a
27 prominently visible location on the individual's person a numbered

1 badge issued by the commission.

2 (b) An individual who ceases employment with a licensed
3 operator shall immediately surrender the individual's badge to the
4 operator. Not later than the 10th day after the date the individual
5 surrenders the badge, the licensed operator shall:

6 (1) on a form adopted by the commission notify the
7 commission in writing of a change in status of the individual; and

8 (2) submit the surrendered badge to the commission.

9 (c) The badge must prominently display on the front of the
10 badge:

11 (1) capital letters identifying the license held by
12 the individual;

13 (2) the first name of the individual;

14 (3) the picture of the individual submitted with the
15 individual's license application;

16 (4) the badge number; and

17 (5) the expiration date of the license.

18 (d) The full name of the license holder, along with the type
19 of license, must be printed on the reverse side of the badge.

20 Sec. 2004.461. BONUS PROGRAMS. (a) The commission by rule
21 shall establish promotion bonus programs for bad beat hands and
22 other bonus programs. The programs may be statewide or limited to
23 individual premises.

24 (b) Each licensed operator shall:

25 (1) collect promotion bonus fees in accordance with
26 commission rule; and

27 (2) award a bonus that does not exceed \$250 to the

1 player who wins the bonus.

2 (c) The amount awarded under Subsection (b)(2) shall be
3 deducted from the daily promotion bonus fee that would otherwise be
4 remitted to this state.

5 (d) The commission shall award to the winning player of a
6 bonus program any amount that exceeds \$250.

7 (e) A distributor may collect from the commission an
8 administrative fee, not to exceed 20 percent of the promotion bonus
9 fee paid to a winning player.

10 (f) A promotion bonus program for bad beat hands or any
11 other bonus program may not be offered for a charitable poker
12 tournament.

13 Sec. 2004.462. COLLECTION FEE. (a) Each licensed operator
14 shall collect a collection fee on each poker hand played. The
15 collection fee may not exceed 10 percent of the communal pot in each
16 hand of poker played, with a maximum of \$4 per hand.

17 (b) The commission shall adopt rules necessary to
18 administer this section.

19 Sec. 2004.463. PROMOTION BONUS FEE. (a) A promotion bonus
20 fee may not exceed \$1 per hand.

21 (b) The promotion bonus fee shall be remitted to this state,
22 after deducting the gross receipts tax, the fee used for bonus
23 programs, and administrative fees not to exceed 20 percent of the
24 promotion bonus fee.

25 Sec. 2004.464. REPORTING REQUIREMENTS. (a) A licensed
26 operator shall keep books and records in a manner that clearly shows
27 the total amount of gross receipts and total deposits made by all

1 poker gaming players, including any loss limits set for any player.

2 (b) The books and records kept by a licensed operator
3 relating to poker gaming operations are not public information, and
4 publication and dissemination of the materials by the commission
5 are prohibited. The commission may publish and disseminate the
6 total gross receipts of each licensed operator at the frequency and
7 in the level of detail the commission considers appropriate.

8 (c) A licensed operator that is not an individual shall file
9 a report of each change of the operator's officers and directors
10 with the commission. The commission shall, not later than the 90th
11 day after the date of the change, approve or disapprove the change.
12 During the 90-day period, the officer or director is entitled to
13 exercise the powers of the position to which the officer or director
14 was elected or appointed.

15 (d) The commission may require that a licensed operator
16 provide the commission with a copy of the operator's federal income
17 tax return not later than the 30th day after the date the return is
18 filed with the federal government. The federal income tax returns
19 submitted to the commission are not public information, and
20 publication and dissemination of the materials by the commission
21 are prohibited.

22 Sec. 2004.465. EXCLUSION OF PERSONS. (a) The commission by
23 rule shall provide for the maintenance of a list of persons who are
24 to be excluded or ejected from poker gaming premises. The list may
25 include a person whose presence in poker gaming premises is
26 determined by the commission to pose a threat to the interests of
27 this state, to licensed poker gaming, or to both.

1 (b) In making a determination under this section, the
2 commission may consider any:

3 (1) prior conviction of a crime that is a felony in
4 this state or under the laws of the United States or a crime
5 involving moral turpitude or a violation of the gaming laws of a
6 state or the United States; or

7 (2) violation of or conspiracy to violate the
8 provisions of this chapter relating to:

9 (A) the failure to disclose an interest in a
10 licensed operator;

11 (B) wilful evasion of a fee or a tax; or

12 (C) a notorious or unsavory reputation that would
13 adversely affect public confidence and trust that the poker gaming
14 industry is free from criminal or corruptive elements.

15 Sec. 2004.466. INTERNAL AUDIT AND CONTROL SYSTEMS. (a) A
16 licensed operator shall adopt an internal control system that
17 provides for:

18 (1) the safeguarding of its assets and revenues, which
19 must include means for the recording of cash transactions and
20 balances and evidences of indebtedness; and

21 (2) the provision of reliable records, accounts, and
22 reports of transactions, operations, and events, including reports
23 to the director and the commission.

24 (b) The internal control system must be designed to
25 reasonably ensure that:

26 (1) assets are safeguarded;

27 (2) financial records are accurate and reliable;

1 (3) transactions are performed only in accordance with
2 management's general or specific authorization;

3 (4) transactions are recorded adequately to permit
4 proper reporting of poker gaming revenue and of fees and taxes and
5 to maintain accountability for assets;

6 (5) access to assets is permitted only in accordance
7 with the licensed operator's specific authorization;

8 (6) recorded accountability for assets is compared
9 with actual assets at reasonable intervals and appropriate action
10 is taken with respect to any discrepancies; and

11 (7) functions, duties, and responsibilities are
12 appropriately segregated and performed in accordance with sound
13 practices by competent, qualified personnel.

14 (c) A licensed operator or an applicant for an operator's
15 license shall describe, in a manner approved or required by the
16 director, the licensed operator's or applicant's administrative and
17 accounting procedures in detail in a written system of internal
18 control. A licensed operator or applicant for an operator's
19 license shall submit a copy of the written system. A written system
20 must include:

21 (1) an organizational chart depicting appropriate
22 segregation of duties and responsibilities;

23 (2) a description of the duties and responsibilities
24 of each position shown on the organizational chart;

25 (3) a detailed narrative description of the
26 administrative and accounting procedures designed to satisfy the
27 requirements of Section 2004.402(a);

1 (4) a written statement signed by the licensed
2 operator or applicant's chief financial officer or by the licensed
3 operator or applicant, if an individual, attesting that the system
4 satisfies the requirements of this section;

5 (5) if the written system is submitted by an
6 applicant, a letter from an independent certified public accountant
7 stating that the applicant's written system has been reviewed by
8 the certified public accountant and complies with the requirements
9 of this section; and

10 (6) other items the director may require.

11 (d) The commission shall adopt minimum standards for
12 internal control procedures.

13 Sec. 2004.467. AGE REQUIREMENTS. A person younger than 21
14 years of age may not:

15 (1) play, be allowed to play, place wagers, or collect
16 a communal pot, personally or through an agent, or be present during
17 poker gaming at any premises authorized under this chapter; or

18 (2) be employed as a poker gaming employee.

19 Sec. 2004.468. VIDEO SURVEILLANCE AND DISPUTE RESOLUTION.

20 (a) Except as provided by Subsection (b) or by commission rule for
21 a charitable poker tournament, video surveillance of the poker
22 gaming conducted at each poker gaming table shall be provided by the
23 licensed operator. At least two video surveillance cameras must be
24 dedicated to each poker gaming table. The video records must be
25 maintained for at least 30 days unless a notice is received from the
26 commission under Subsection (d), in which case the video
27 surveillance tape recording must be maintained until the commission

1 notifies the operator that the dispute has been resolved.

2 (b) Video surveillance is not required if all the poker
3 gaming tables used on the premises licensed by the commission are
4 electronic poker tables approved by the commission.

5 (c) If a player at a poker gaming table disputes the
6 decision of the dealer regarding the final disposition of an
7 individual game, the player may file a complaint with the licensed
8 operator. The licensed operator shall attempt to resolve a gaming
9 dispute immediately on receiving a complaint.

10 (d) Players in a poker game must make a formal complaint of
11 the dispute to the commission by the end of the next business day
12 following the date of the poker game. The commission shall notify
13 the licensed operator immediately of the complaint, and the
14 operator shall send to the commission a copy of any video recording
15 related to the complaint.

16 (e) The commission shall adopt rules and develop forms for
17 use by players for resolution of complaints submitted by players
18 under this section.

19 (f) The commission shall establish rules for surveillance
20 at charitable poker tournaments.

21 Sec. 2004.469. QUESTIONING AND DETENTION OF PERSONS. A
22 licensed operator or an employee of the operator may question any
23 person on the poker gaming premises who is suspected of violating
24 this chapter. The licensed operator or the operator's employee is
25 not criminally or civilly liable:

26 (1) as a result of the questioning; or

27 (2) for reporting the person suspected of the

1 violation to the director or law enforcement authorities.

2 [Sections 2004.470-2004.500 reserved for expansion]

3 SUBCHAPTER J. ENFORCEMENT

4 Sec. 2004.501. INVESTIGATION. The commission may conduct
5 an appropriate investigation to:

6 (1) determine whether this chapter or a commission
7 rule was violated;

8 (2) determine facts, conditions, practices, or
9 matters the commission considers necessary or proper to aid in the
10 enforcement of a law or rule;

11 (3) aid in adopting rules;

12 (4) secure information as a basis for recommending
13 legislation relating to this chapter; and

14 (5) determine whether a license holder is able to meet
15 the license holder's financial obligations, including all
16 financial obligations imposed by this chapter, as they become due.

17 Sec. 2004.502. AUDIT. The commission may conduct an audit
18 of a license holder's books and records as part of the
19 investigation. If a recomputation of tax under Section 2004.404 is
20 at issue, the commission shall conduct an audit.

21 Sec. 2004.503. COMPLAINT. (a) If after an investigation
22 the commission is satisfied that a license, registration, finding
23 of suitability, or prior approval by the commission of a
24 transaction for which approval was required or permitted under this
25 chapter should be limited, conditioned, suspended, or revoked, or
26 that a fine should be imposed, the executive director shall
27 initiate a hearing by filing a complaint with the commission and

1 transmit a summary of evidence that bears on the matter and the
2 transcript of testimony at an investigative hearing conducted by or
3 on behalf of the executive director regarding the matter. The
4 complaint must:

5 (1) be a written statement of charges that sets forth
6 in ordinary and concise language the acts or omissions with which
7 the respondent is charged;

8 (2) specify the statute or rule that the respondent is
9 alleged to have violated;

10 (3) contain a factual allegation; and

11 (4) not consist merely of charges raised on the
12 language of the statute or rule.

13 (b) On the filing of the complaint, the executive director
14 shall serve a copy of the complaint on the respondent either
15 personally or by registered or certified mail at the respondent's
16 address on file with the executive director.

17 (c) The respondent must file an answer with the executive
18 director not later than the 30th day after the date of the service
19 of the complaint.

20 Sec. 2004.504. HEARING. (a) On receipt of a complaint
21 under this subchapter, the commission shall review all matter
22 presented in support of the complaint and shall appoint a hearing
23 examiner to conduct further proceedings.

24 (b) The hearing examiner shall conduct proceedings under
25 Chapter 2001, Government Code. After the proceedings, the hearing
26 examiner may recommend that the commission take any appropriate
27 action, including revocation, suspension, limitation, or

1 conditioning of a license, finding of suitability, or prior
2 approval, or imposition of a fine not to exceed \$5,000 for each
3 violation.

4 (c) The commission shall review the recommendation. The
5 commission may remand the case to the hearing examiner for
6 presentation of additional evidence on a showing of good cause as to
7 why the evidence could not have been presented at the previous
8 hearing.

9 (d) The commission shall accept, reject, or modify the
10 recommendation.

11 (e) If the commission limits, conditions, suspends, or
12 revokes a license, finding of suitability, or prior approval, or
13 imposes a fine, the commission shall issue a written order.

14 (f) A limitation, condition, revocation, suspension, or
15 fine imposed is effective according to its terms until reversed
16 following judicial review, except that the commission may stay its
17 order pending a rehearing or judicial review on terms and
18 conditions the commission considers proper.

19 Sec. 2004.505. JUDICIAL REVIEW. Judicial review of an
20 order or decision of the commission may be made under Chapter 2001,
21 Government Code. Judicial review is under the substantial evidence
22 rule.

23 Sec. 2004.506. PRIVILEGED DOCUMENTS. (a) A communication
24 or document of an applicant or license holder that is required by
25 law or commission rule or by a subpoena issued by the commission and
26 that is to be made or transmitted to the commission is privileged
27 and does not impose liability for defamation or constitute a ground

1 for recovery in a civil action.

2 (b) If a document or communication contains information
3 that is privileged, the privilege is not waived or lost because the
4 document or communication is disclosed to the commission.

5 (c) Notwithstanding the powers granted to the commission by
6 this chapter, the commission:

7 (1) may not release or disclose privileged
8 information, documents, or communications provided by an applicant
9 or license holder and required by a court order after timely notice
10 of the proceedings has been given to the applicant or license holder
11 without the prior written consent of the applicant or license
12 holder;

13 (2) shall maintain all privileged information,
14 documents, and communications in a secure place accessible only to
15 commission members and the executive director; and

16 (3) shall adopt procedures to protect the privileged
17 nature of information, documents, and communications provided by an
18 applicant or license holder.

19 Sec. 2004.507. RELEASE OF CONFIDENTIAL INFORMATION. (a)
20 An application to a court for an order requiring the commission to
21 release any confidential information shall be made only on a
22 written motion delivered not later than the 10th day before the date
23 of application to the commission, the attorney general, and all
24 persons who may be affected by the entry of the order.

25 (b) Copies of the motion and all papers filed in support of
26 the motion shall be served with the notice by delivering a copy in
27 person or by certified mail to the last known address of the person

1 to be served.

2 Sec. 2004.508. EMERGENCY ORDERS. (a) The commission may
3 issue an emergency order to:

4 (1) suspend, limit, or condition a license or finding
5 of suitability; or

6 (2) require a licensed operator to keep an individual
7 license holder from the premises or to not pay the holder any
8 remuneration for services or any profits, income, or accruals on
9 the licensed operator's investment in the premises.

10 (b) An emergency order may be issued only if the commission
11 determines that:

12 (1) a license holder or person found suitable has
13 wilfully failed to report, pay, or truthfully account for a fee,
14 tax, or other amount imposed under this chapter or wilfully
15 attempted in any manner to evade or defeat a fee, tax, or other
16 payment;

17 (2) a license holder cheated at a poker game; or

18 (3) the action is necessary for the immediate
19 preservation of the public peace, health, safety, morals, good
20 order, or general welfare.

21 (c) The emergency order must state the grounds on which it
22 is issued, including a statement of facts constituting the alleged
23 emergency necessitating the action.

24 (d) An emergency order may be issued only with the approval
25 of and under the signature of a majority of the commission members.

26 (e) An emergency order is effective immediately on issuance
27 and service on the license holder or resident agent of the license

1 holder, an employee, or, in cases involving registration or
2 findings of suitability, the person or entity involved or resident
3 agent of the entity involved. An emergency order may suspend,
4 limit, condition, or take other action in relation to the license,
5 registration, or suitability finding of one or more persons in an
6 operation without affecting other individual license holders or
7 persons subject to a suitability finding. An emergency order
8 remains effective until further order of the commission or final
9 disposition of the case.

10 (f) Not later than the fifth day after the date of issuance
11 of an emergency order, the executive director shall file a
12 complaint and serve it on the person involved. The person against
13 whom the emergency order has been issued and served is entitled to a
14 hearing before the commission and to judicial review of the
15 decision and order of the commission under Chapter 2001, Government
16 Code. Judicial review is under the substantial evidence rule.

17 Sec. 2004.509. ACCESS TO CRIMINAL HISTORY RECORD
18 INFORMATION. (a) The commission, the executive director, and the
19 director are entitled to conduct an investigation of and obtain
20 criminal history record information maintained by the Department of
21 Public Safety, the Federal Bureau of Investigation identification
22 division, or another law enforcement agency to assist in the
23 investigation of:

24 (1) a licensed operator or an applicant for an
25 operator's license;

26 (2) a person required to be named in a license
27 application;

1 (3) an employee of a licensed operator, if the
2 employee is or will be directly involved in poker gaming
3 operations;

4 (4) a person who manufactures or distributes poker
5 gaming equipment, or a representative of a person who manufactures
6 or distributes poker gaming equipment or supplies offered to a
7 poker card room;

8 (5) a dealer or other employee license holder or
9 applicant;

10 (6) a registered owner of an equity or creditor
11 interest in a licensed operator or an applicant for such a
12 registration;

13 (7) a licensed nonprofit organization or an applicant
14 for a nonprofit organization license; or

15 (8) if a person described in another subdivision of
16 this subsection is not an individual, an individual who:

17 (A) is an officer or director of the person;

18 (B) holds more than 10 percent of the stock in the
19 person;

20 (C) holds an equitable interest greater than 10
21 percent in the person;

22 (D) is a creditor of the person who holds more
23 than 10 percent of the person's outstanding debt;

24 (E) is the owner or lessee of a business that the
25 person conducts or through which the person will conduct poker
26 gaming-related activities;

27 (F) shares or will share in the profits, other

1 than stock dividends, of the person;

2 (G) participates in managing the affairs of the
3 person; or

4 (H) is an employee of the person who is or will be
5 involved in providing services to a poker card room.

6 (b) On each anniversary of the date of issuance of an
7 operator's license, the commission shall obtain criminal history
8 record information maintained by the Department of Public Safety on
9 the licensed operator and on each holder of a 10 percent or greater
10 equity or creditor interest in the licensed operator.

11 (c) Not later than the first anniversary after the date of
12 each license renewal, the commission shall obtain criminal history
13 record information maintained by the Department of Public Safety on
14 each licensed dealer or other employee, manufacturer, or
15 distributor.

16 Sec. 2004.510. FINGERPRINTS. The commission may deny an
17 application for a license or the commission may suspend or revoke a
18 license or certificate of registration if the applicant fails on
19 request to provide a complete legible set of fingerprints of a
20 person required to be named in a license application.

21 Sec. 2004.511. DEPARTMENT OF PUBLIC SAFETY ASSISTANCE;
22 COSTS OF INVESTIGATION. (a) The executive director or the director
23 may request the cooperation of the Department of Public Safety to
24 perform a background investigation of a person listed in Section
25 2004.509. The commission shall reimburse the department for the
26 actual cost of an investigation.

27 (b) The executive director may require a person who is

1 subject to investigation to pay all costs of the investigation and
2 to provide any information, including fingerprints, necessary to
3 carry out the investigation or facilitate access to state or
4 federal criminal history record information. Payments made to the
5 executive director under this subsection shall be deposited in the
6 general revenue fund and may be used only to reimburse the
7 commission or the Department of Public Safety for the actual costs
8 of an investigation.

9 (c) Unless otherwise prohibited by law, the Department of
10 Public Safety may retain any record or information submitted to it
11 under this section. The department shall notify the executive
12 director or the director of any change in information provided to
13 the executive director or the director when the department learns
14 of the change.

15 [Sections 2004.512-2004.550 reserved for expansion]

16 SUBCHAPTER K. PENALTIES AND OFFENSES

17 Sec. 2004.551. FAILURE TO PAY FEES. (a) License fees and
18 other fees required by this chapter must be paid to the commission
19 on or before the dates provided by law for each fee.

20 (b) A person failing to timely pay a fee when due shall pay
21 in addition a penalty of not less than \$50 or 25 percent of the
22 amount due, whichever is greater. The penalty may not exceed \$1,000
23 if the fee is less than 10 days late and may not exceed \$5,000 under
24 any circumstances. The penalty shall be collected in the same
25 manner as other charges, license fees, and penalties under this
26 chapter.

27 Sec. 2004.552. FAILURE TO REPORT, PAY, OR ACCOUNT FOR FEE.

1 (a) A person commits an offense if the person wilfully fails to
2 report, pay, or truthfully account for a fee imposed under this
3 chapter or wilfully attempts in any manner to evade or defeat a fee.

4 (b) An offense under this section is a Class A misdemeanor.

5 Sec. 2004.553. FRAUD. (a) A person commits an offense if
6 the person knowingly:

7 (1) alters or misrepresents the outcome of a poker
8 game on which wagers have been made after the outcome is made sure
9 but before it is revealed to the players;

10 (2) places, increases, or decreases a bet or
11 determines the course of play after acquiring knowledge, not
12 available to all players, of the outcome of the game or an event
13 that affects the outcome of the game or that is the subject of the
14 bet or aids anyone in acquiring such knowledge for the purpose of
15 placing, increasing, or decreasing a bet or determining the course
16 of play contingent on that event or outcome;

17 (3) claims, collects, or takes, or attempts to claim,
18 collect, or take, money or anything of value in or from a poker
19 game, with intent to defraud, without having made a wager
20 contingent on the poker game, or claims, collects, or takes an
21 amount greater than the amount won;

22 (4) induces another to go to a place where poker gaming
23 is being conducted or operated in violation of this chapter, with
24 the intent that the other person play or participate in that poker
25 gaming; or

26 (5) manipulates, with the intent to cheat, a component
27 of poker gaming equipment in a manner contrary to the designed and

1 normal operational purpose for the component, with knowledge that
2 the manipulation affects the conduct or outcome of a poker game or
3 with knowledge of an event that affects the outcome of the game.

4 (b) An offense under this section is a felony of the third
5 degree.

6 Sec. 2004.554. USE OF PROHIBITED DEVICES. (a) A person
7 commits an offense if the person, at a premises of a licensed
8 operator, uses or possesses with the intent to use a device, other
9 than a device customarily used in the conduct of poker gaming, to
10 assist in:

11 (1) projecting the outcome of a poker game; or

12 (2) analyzing the probability of the occurrence of an
13 event relating to the game.

14 (b) An offense under this section is a felony of the third
15 degree.

16 Sec. 2004.555. USE OF COUNTERFEIT OR UNAUTHORIZED CHIPS,
17 TOKENS, PLAYING CARDS, OR OTHER DEVICES. (a) A person commits an
18 offense if the person knowingly uses counterfeit chips, tokens, or
19 playing cards in a poker game.

20 (b) A person commits an offense if the person, in playing a
21 poker game designed to be played with chips or tokens approved by
22 the commission:

23 (1) knowingly uses a chip or token other than a chip or
24 token approved by the commission; or

25 (2) uses any device or other means to violate the
26 provisions of this chapter.

27 (c) A person, other than an authorized employee of a

1 licensed operator acting in furtherance of the person's employment
2 in an establishment, commits an offense if the person knowingly has
3 on the person's body or in the person's possession on or off the
4 premises where poker gaming is conducted a device intended to be
5 used to violate the provisions of this chapter.

6 (d) A person, other than an authorized employee of a
7 licensed operator acting in furtherance of the person's employment
8 in an establishment, commits an offense if the person knowingly has
9 on the person's body or in the person's possession on or off the
10 premises a key or device known to have been designed for the purpose
11 of and suitable for opening, entering, or affecting the operation
12 of a poker gaming table, a drop box, or an electronic or mechanical
13 device connected to the table or box or for removing money or other
14 contents from the table or box.

15 (e) Possession of more than one of the devices, equipment,
16 products, or materials described in this section permits a
17 rebuttable inference that the possessor intended to use them for
18 cheating.

19 (f) An offense under this section is a felony of the third
20 degree.

21 Sec. 2004.556. CHEATING. (a) A person commits an offense
22 if the person knowingly cheats at any poker game.

23 (b) An offense under this section is a state jail felony.

24 Sec. 2004.557. UNAUTHORIZED OPERATION OF POKER GAMING
25 TABLES. (a) A person commits an offense if the person operates
26 poker gaming tables without a license issued by the commission.

27 (b) A person commits an offense if the person operates more

1 than four poker gaming tables at the premises of a licensed
2 operator.

3 (c) An offense under this section is a state jail felony.

4 Sec. 2004.558. POSSESSION OF UNLAWFUL DEVICES. (a) A
5 person commits an offense if the person knowingly possesses any
6 poker gaming device that has been manufactured, sold, or
7 distributed in violation of this chapter.

8 (b) An offense under this section is a Class A misdemeanor.

9 Sec. 2004.559. UNLAWFUL MANUFACTURE, SALE, OR DISTRIBUTION
10 OF POKER GAMING EQUIPMENT. (a) A person commits an offense if the
11 person manufactures, sells, or distributes electronic poker
12 tables, cards, chips, or a device intended for use in violating this
13 chapter.

14 (b) A person commits an offense if the person marks, alters,
15 or otherwise modifies any electronic poker tables, cards, chips,
16 tokens, or poker gaming device in a manner that:

17 (1) affects the result of a wager by determining win or
18 loss; or

19 (2) alters the normal criteria of random selection
20 that affect the operation of a game or determine the outcome of a
21 game.

22 (c) A person commits an offense if the person instructs
23 another person in cheating or in the use of a device for cheating at
24 any poker game authorized to be conducted at the premises of a
25 licensed operator, with the knowledge or intent that the
26 information or use may be employed to violate this chapter.

27 (d) An offense under this section is a felony of the third

1 degree.

2 Sec. 2004.560. REPORTING PENALTIES. (a) A person commits
3 an offense if the person, in a license application, in a book or
4 record required to be maintained by this chapter or a rule adopted
5 under this chapter, or in a report required to be submitted by this
6 chapter or a rule adopted under this chapter:

7 (1) makes a statement or entry that the person knows to
8 be false or misleading; or

9 (2) knowingly fails to maintain or make an entry the
10 person knows is required to be maintained or made.

11 (b) A person commits an offense if the person knowingly
12 refuses to produce for inspection by the executive director a book,
13 record, or document required to be maintained or made by this
14 chapter or a rule adopted under this chapter.

15 (c) An offense under this section is a Class A misdemeanor.

16 Sec. 2004.561. GAMING BY MINORS. (a) A person commits an
17 offense if the person knowingly permits an individual that the
18 person knows is younger than 21 years of age to participate in poker
19 gaming at premises at which poker gaming is conducted under a
20 license issued under this chapter.

21 (b) An individual younger than 21 years of age commits an
22 offense if the individual participates in poker gaming at premises
23 at which poker gaming is conducted under a license issued under this
24 chapter.

25 (c) An offense under this section is a Class C misdemeanor.

26 Sec. 2004.562. GENERAL PENALTY; CONSPIRACY. (a) A person
27 commits an offense if the person knowingly or wilfully violates,

1 attempts to violate, or conspires to violate a provision of this
2 chapter specifying a prohibited act.

3 (b) Unless another penalty is specified for the offense, an
4 offense under this section is a Class A misdemeanor.

5 SECTION 2. Section 47.02(c), Penal Code, is amended to read
6 as follows:

7 (c) It is a defense to prosecution under this section that
8 the actor reasonably believed that the conduct:

9 (1) was permitted under Chapter 2001, Occupations
10 Code;

11 (2) was permitted under Chapter 2002, Occupations
12 Code;

13 (3) consisted entirely of participation in the state
14 lottery authorized by the State Lottery Act (Chapter 466,
15 Government Code);

16 (4) was permitted under the Texas Racing Act (Article
17 179e, Vernon's Texas Civil Statutes); [~~or~~]

18 (5) consisted entirely of participation in a drawing
19 for the opportunity to participate in a hunting, fishing, or other
20 recreational event conducted by the Parks and Wildlife Department;
21 or

22 (6) was permitted under Chapter 2004, Occupations
23 Code.

24 SECTION 3. Section 47.06(f), Penal Code, is amended to read
25 as follows:

26 (f) It is a defense to prosecution under Subsection (a) or
27 (c) that the person owned, manufactured, transferred, or possessed

1 the gambling device, equipment, or paraphernalia for the sole
2 purpose of shipping it:

3 (1) to the premises of a licensed operator under
4 Chapter 2004, Occupations Code, at which poker gaming may be
5 conducted under the license; or

6 (2) to another jurisdiction where the possession or
7 use of the device, equipment, or paraphernalia was legal.

8 SECTION 4. Section 47.09(a), Penal Code, is amended to read
9 as follows:

10 (a) It is a defense to prosecution under this chapter that
11 the conduct:

12 (1) was authorized under:

13 (A) Chapter 2001, Occupations Code;

14 (B) Chapter 2002, Occupations Code; ~~[or]~~

15 (C) the Texas Racing Act (Article 179e, Vernon's
16 Texas Civil Statutes); or

17 (D) Chapter 2004, Occupations Code;

18 (2) consisted entirely of participation in the state
19 lottery authorized by Chapter 466, Government Code; or

20 (3) was a necessary incident to the operation of the
21 state lottery and was directly or indirectly authorized by:

22 (A) Chapter 466, Government Code;

23 (B) the lottery division of the Texas Lottery
24 Commission;

25 (C) the Texas Lottery Commission; or

26 (D) the director of the lottery division of the
27 Texas Lottery Commission.

1 SECTION 5. Subchapter H, Chapter 151, Tax Code, is amended
2 by adding Section 151.356 to read as follows:

3 Sec. 151.356. ELECTRONIC AND ELECTROMECHANICAL GAMING
4 DEVICES. An electronic or electromechanical gaming device that is
5 intended to be used to conduct poker gaming under Chapter 2004,
6 Occupations Code, is exempt from the tax imposed by this chapter and
7 from the other provisions of this chapter.

8 SECTION 6. Section 467.035(a), Government Code, is amended
9 to read as follows:

10 (a) The commission may not employ or continue to employ a
11 person who owns a financial interest in:

12 (1) a bingo commercial lessor, bingo distributor, or
13 bingo manufacturer; ~~or~~

14 (2) a lottery sales agency or a lottery operator; or

15 (3) a licensed operator or other license holder under
16 Chapter 2004, Occupations Code.

17 SECTION 7. Not later than January 1, 2008, the Texas Lottery
18 Commission shall adopt the rules, develop the applications and
19 forms, and establish the procedures necessary to implement Chapter
20 2004, Occupations Code, as added by this Act.

21 SECTION 8. This Act takes effect September 1, 2007.