

An Overview: Colorado's Expansion into Legalized Sports Wagering

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In order to enact legalized sports wagering in Colorado, voters were required to approve a ballot measure, Proposition DD in 2019. The initiative barely passed with 50.8% of the vote. With the passage of Proposition DD, sports wagering became legalized in Colorado, joining a slew of other states and Washington, DC. Beginning on May 1, 2020, all 33 of Colorado's casinos became eligible to offer legalized sports wagering. With the expansion of legalized wagering in Colorado, a host of financial and logistical questions will arise that may require consultation with counsel.

LICENSURE, FEES AND TAXES

Only licensed entities in Colorado may offer sports wagering. Under current Colorado law and state regulations, there are five different types of licenses: (1) a Master License; (2) a Sports Betting Operator License; (3) an Internet Sports Betting Operators License; (4) a Vendor Major License; and (5) a Vendor Minor License. Similar to traditional gaming licenses, the application and investigative process for a license can be intrusive, time consuming and expensive. Per Colorado law, applicants must disclose personal background information, including sensitive financial information pertaining to the applicant's business operations.

Licensing fees in Colorado could cost up to \$125,000; however, the Colorado Division of Gaming has determined that the fees should be lower. As such, the licensing fee will vary upon the license, but will not exceed \$2,000. Each license must be renewed every two years. Under Colorado law, sports operators' gross gaming revenue (GGR) is taxed at 10%. This is more favorable than other jurisdictions, which impose higher tax rates and higher licensure fees. Some tax revenue from legalized sports wagering will be directed to Colorado's water plan.

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PROHIBITED CONDUCT AND WAGERS

Colorado prohibits various types of wagers and conduct. As an example, Colorado requires any individual seeking to wager on sports must be at least 21 years of age. In addition, individuals who possess nonpublic information, or are on an exclusion list, cannot place wagers. The statute also limits types of permissible wagers. In Colorado, no sports book can offer wagers related to a high school sports event, collegiate proposition bets, or esports events that are not sanctioned by a governing body.

COLORADO'S LAUNCH

Since the May 1, 2020 launch, Colorado has licensed casinos located in three cities near Denver for sports wagering: Black Hawk, Central City and Cripple Creek. As far as online wagering, DraftKings, FanDuel, PointsBet, Betfred, BetMGM, FoxBet, William Hill, Elite Gaming and others have all entered the field. It is expected that the Colorado marketplace will continue to grow because of Colorado's generous mobile/online wagering platform, remote registration and low tax rates. During the month of September, over 98% of wagers were placed through mobile wagering platforms.

Commercial partnerships have also been struck between professional teams, collegiate teams and sportsbooks. The Denver Broncos have partnered with three sportsbooks – FanDuel, Betfred and BetMGM; the Denver Nuggets, Colorado Avalanche, and Colorado Mammoth (all owned by Kroenke Sports & Entertainment) have partnered with PointsBet; and the University of Colorado has also partnered with PointsBet. The Division of Gaming reported that Coloradans wagered approximately \$25.6 million in May 2020, \$38.1 million in June 2020, \$59.1 million in July 2020, \$128.6 million in August 2020, and \$207.6 million in September 2020.

LOOKING FORWARD

While other states continue to lag with onerous tax rates, or the imposition of in-person registration, sports wagering in Colorado should expand quickly. Indeed, other jurisdictions that are considering enacting sports wagering should view Colorado's model for its simplicity and lower barriers to entry.

This article is part of the fall 2020 Esports, Sports Technology & Wagering [newsletter update](#).

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