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IN FOCUS

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Sports Betting and Consumer Finance

Sports betting involves risking money on the outcomes of athletic events. Before 2018, sports gambling was illegal in most states. In 2018, the Supreme Court held in *Murphy v. National Collegiate Athletic Association (NCAA)* that the Professional and Amateur Sports Protection Act (PASPA; P.L. 102-559) was unconstitutional and that states could legalize and regulate sports gambling. Since the ruling, 39 states and the District of Columbia have legalized state-regulated sports gambling in some form (abbreviated LSG). Recent changes in Commodity Futures Trading Commission (CFTC) posture have led to the rapid expansion of consumer-facing CFTC-regulated sports event contracts on prediction market exchanges, even in states where LSG is illegal. Such changes have led to ongoing litigation. The CFTC is engaged in an ongoing rulemaking on prediction markets.

Growth in sports betting has led to scrutiny over its impact on consumer finance. Recent research provides evidence that sports betting has led to adverse consumer finance outcomes. Nascent evidence on event contracts writ large suggests consumer finance concerns. Congress may weigh these concerns with other policy considerations, including taxation revenue, job growth in sports betting sectors, and consumer choice. These concerns may not be equivalent based on the type. This In Focus focuses on sports betting because of the recent legal and regulatory changes, and recent legislative action, in prediction markets and sports betting.

Sports Betting Background

In 1992, PASPA generally banned legalized sports gambling. The law previously forbade states from legalizing and regulating sports gambling. However, PASPA excluded states with existing sports gambling markets and regulations: Delaware, Oregon, Montana, and—most prominently—Nevada. Offshore and illegal operators traditionally dominated the U.S. sports gambling marketplace, resulting in limited regulatory oversight. This illegal sports gambling was sometimes linked with organized crime, and there were a few prominent cases of prosecuting illegal sports gambling outfits.

New Jersey challenged PASPA as unconstitutional beginning in 2010 in an aim to legalize sports gambling. In 2018, the Supreme Court held in *Murphy v. National Collegiate Athletic Association (NCAA)* that PASPA was unconstitutional, as it stripped state governments of their authority to legalize gambling. As the majority opinion stated, "Congress can regulate sports gambling directly, but if it elects not to do so, each State is free to act on its own."

Online sports gambling is also legalized in a vast majority of states with LSG. States vary in their sports gambling restrictions. States have different age requirements (a majority, 21+), and some states permit only tribal-sponsored online sports betting. Other states ban particular types of bets, such as those on in-state professional and college teams or bets on specific players. LSG is generally run by sportsbooks, which set betting odds and take bets on games. These sportsbooks are often associated with traditional casinos and often take bets online and in casinos.

This legalization has led to the growth of the LSG industry. Total handle wagered on LSG has grown from $4.9 billion in 2017 to $166.9 billion in 2025. Polling by Siena University and St. Bonaventure University found that roughly one in four Americans have an active online sportsbook account, rising to 52% for men aged 18-49.

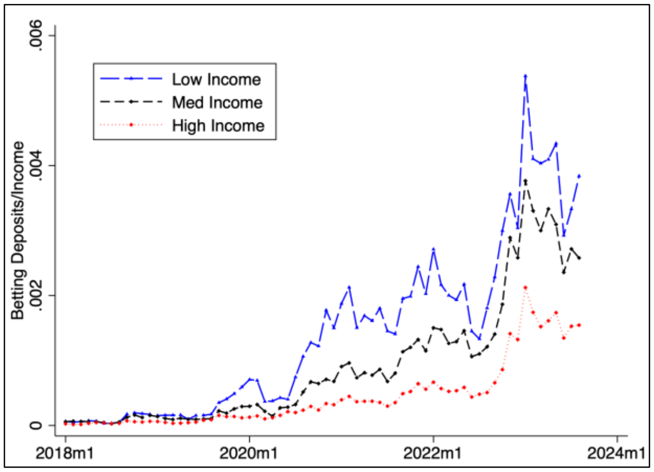
The CFTC under current leadership asserts that it has "exclusive jurisdiction" over derivatives markets, including event contracts on registered designated contract markets, and that as a result such sports event contracts are not subject to state or tribal regulation over LSG. (For a more general introduction to prediction markets, see CRS In Focus IF13187, *Prediction Markets: Policy Issues for Congress*.) Currently, such contracts are *generally* available in states where other forms of sports gambling are illegal. Several states and tribes have challenged these conclusions in court, and this overarching issue is currently being litigated, with differing opinions issued by courts. Sports event contracts often involve equivalent outcomes as LSG bets, with certain differences (participants trade against each other, facilitated by "market makers," rather than against the house; contracts can be bought and sold throughout the process; a broader array of event markets are available) and less of an emphasis on certain kinds of bets. As of May 2026, roughly 87% of the volume traded on Kalshi (the largest CFTC-registered operator) in the past year was on sports. Some industry analysis estimates Kalshi's total handle in the past 12 months, as of February 2026, would be fourth among the largest sports betting operators, trailing DraftKings, FanDuel, and Fanatics (with 19% of the handle of leading operator DraftKings). Volume traded, the typical measurement for prediction markets, *is not* equivalent to sports gambling handle.

Impact on Consumer Finance

The growth in LSG has led to increased concerns over consumer protections and the impact of LSG on consumer finance, because of its potentially addictive qualities. Certain research has attempted to quantify the effects of LSG on consumer finance. One working paper found that after four years, the average credit score in LSG states decreased by 0.3%, while credit scores decreased by 1.0% in states that also allowed online LSG, with additional adverse effects on bankruptcy rates. This suggests that online LSG was driving much of the decline in consumer financial health. Research from the Federal Reserve Bank of New York found that rising LSG is driven by broader consumer participation, as opposed to rising bet size. In addition, the New York Fed's report documents that such consumer finance effects may spill over from areas with LSG to adjacent counties in states without LSG.

Economists from Northwestern, Brigham Young University, and the University of Kansas found that LSG led to increases in sports gambling. This trend decreased consumers' savings and investments and most affected financially constrained households. Further, this sports gambling increased gamblers' overdrafts and credit card debt. In general, betting deposits, or the amount gamblers put into their gambling accounts, grew as a share of income over time in response to LSG. These trends were most acute for low-income households, as seen in **Figure 1**. For consumers who made at least one sports bet, nearly 40% of them made 10 or more deposits into sportsbooks.

Figure 1. Sports Betting Deposits as a Share of Income



Source: Scott R. Baker et al., "Gambling Away Stability: Sports Betting's Impact on Vulnerable Households," July 12, 2024.

The CFTC noted in its recent notice of proposed rulemaking (NPRM) that some prediction market trading characteristics are "generally associated with addictive potential" and "can lead to financial harm." The NPRM notes that event contracts "can concentrate losses among retail segments with lower financial literacy or higher susceptibility to salience and longshot bias." Early results looking at the effects of event contracts on consumer finance have shown some cause for concern. Research from one Citizens Bank analysis for consumers with more than 10 trades has documented larger losses on prediction markets (-8% median return on investment) relative to LSG (-5% median return on investment). Research by some economists on Polymarket's international exchange found that "the top 1% of users capture 76.5" of all profits while 69% of users overall lose money. Some have raised concerns that as prediction markets are currently offered nationwide, they might grow the potentially negative effects of sports betting on consumer finance. This may be particularly true when they are offered on platforms where such contracts are intermingled with traditional financial products that are not zero-sum (or negative when accounting for fees), like stocks.

Policy Tradeoffs

The associated potential negative effects of LSG on consumer finance may be weighed with consumer choice, additional tax revenue, and the impact on illegal betting. Based on the growth in legalizing betting, consumers appear to desire this option. Policymakers may also determine that sports betting allows consumers increased choice. Imposing restrictions on LSG could entrench illegal and offshore providers. The IRS has not issued guidance on how prediction market income should be taxed: that decision (which could include taxation as ordinary income, capital gains income, gambling treatment, and regulated futures contract income, among others) could affect the relative appeal of prediction market bets compared to LSG and other options. Under current law, such sports event contracts are generally not subject to federal gambling excise taxes or state gambling taxes. Outside of taxes, there are certain state-level gambling regulations (e.g., disclosures encouraging responsible gaming) that are not applicable to prediction markets. The degree to which such protections in the LSG market are effective is debated.

Selected Legislation: 119th Congress

Minimum Federal Standards

S. 1033/H.R. 2087 would among other things create certain minimum federal standards for sports betting and create a national self-exclusion list. S. 4060 would generally create a new regulatory framework for event contracts under the states with certain minimum standards, and limit event contracts from individuals under age 21, among other things. These bills also have advertising-related restrictions.

Advertising

S. 4555 would make it unlawful for a covered digital advertising platform (such as a social media platform, search engine, or other online source that derives revenue from advertising) to display targeted advertising directed at minors that promotes a sports gambling platform with a definition that explicitly includes prediction markets. H.R. 6484/S. 1748, a broad bill targeted at potentially protecting minors from online harms, has a provision that social networks and other covered platforms should take "reasonable measures" to prevent and mitigate the promotion and marketing of gambling to minors. H.R. 7757 includes similar provisions. It is unclear whether prediction markets would be covered, as no explicit definition of gambling is presented in the latest versions of these bills.

Regulation of Sports Event Contracts

Some Members of Congress have contemplated how to regulate event contracts and whether further clarification of the Commodities Exchange Act is necessary to clarify treatment of sports event contracts. Some Members signaled support for the recent changes by the CFTC, with others voicing opposition. Legislation introduced in the 119th Congress would directly prohibit contracts related to sports (H.R. 7477; S. 4160; H.R. 8123/S. 4226); another bill would prohibit such contracts but enable a state opt-out (H.R. 7840).

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