

Corporate Counsel Daily, New York sues Kalshi for operating a gambling business without a license, (Jul 31, 2026)

By Suzanne Cosgrove

The lawsuit states the OAG found that Kalshi's prediction market is an illegal gambling operation.

New York Gov. Kathy Hochul and Attorney General Letitia James Friday announced that the state of New York has filed a lawsuit charging KalshiEX LLC's "prediction market," which allows individuals to bet on the future outcome of a variety of sports and other events, is in fact an unlicensed gambling operation ([People of the State of New York v. KalshiEX LLC](#), No. 1:26-cv-06550 (S.D.N.Y. July 31, 2026)).

Originally filed with the New York Supreme Court, Kalshi removed the case to the U.S. District Court for the Southern District of New York on the same day. The lawsuit is seeking a court order to stop Kalshi from operating as an unlicensed business and requiring the company to pay fines, forfeit all illegal gains, and pay restitution to users.

"Kalshi has chosen to ignore New York's gaming laws, which exist to protect consumers, prevent problematic gambling, deliver funding for critical public services, and ensure that every company plays by the same rules," Gov. Hochul said [in a statement](#). "This choice has consequences, and working closely with Attorney General James, New York is taking action to stop this illegal behavior and bring Kalshi into compliance."

"It's sad to see this type of political theater from the leadership in our own state," Elisabeth Diana, a spokesperson for Kalshi, said in a statement [reported by AP News](#). "States can't just shut down a federally licensed exchange."

Prediction markets or gambling? [The lawsuit](#) alleges that Kalshi's prediction markets meet the legal definition of gambling because the results of the events on which its users are betting are uncertain, outside the control of the bettor, or hinge on a game of chance. Despite this finding, Kalshi has failed to obtain a license from the New York State Gaming Commission, therefore avoiding its obligation to pay taxes as state-licensed casinos and mobile sports gambling platforms do.

The filing also noted that Kalshi's prediction markets are available to users between the ages of 18-20, even though New York law requires a person to be at least 21 years old to participate in mobile sports betting.

Rules of the road. In 2019, following the U.S. Supreme Court's recognition of states' rights to authorize and regulate sports wagering within their borders, (see *Murphy v NCAA*, 584 US 453 (2018)), New York enacted a comprehensive regulatory regime for mobile sports wagering, the filing notes.

The New York State Gaming Commission has general jurisdiction over all gaming activities within New York and over the corporations, associations, and persons engaged in these activities, including the regulation of sports betting.

Kalshi was launched in 2021 after receiving approval from the CFTC as a designated contract market in 2020. In 2025, Kalshi launched sports trading, claiming it offered legal sports betting markets, accessible to Americans in all 50 states, and encouraging bettors to wager on the outcomes of major sporting events.

Background. The State of New York has engaged in a legal tug of war with Kalshi and other prediction markets previously, as have several other states, including Nevada, New Jersey, Maryland, and Massachusetts.

Kalshi's removal of the case to federal court suggests the company may see the dispute as another federal-preemption fight under the Commodity Exchange Act.

In April 2026, James sued Coinbase and Gemini for running illegal gambling platforms. Also in April, [the CFTC and the U.S. Attorney General](#) filed a complaint in federal district court to try to block New York's enforcement of state

gambling laws against CFTC-registered prediction markets.

As in similar suits against other states, the CFTC argued that its exclusive jurisdiction under federal law preempts states from regulating trading on event contracts on federally regulated DCMs.

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