



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

AN 2002(5)

25 Sigourney Street
Hartford CT 06106-5032

ANNOUNCEMENT

Nonresidents Now Subject to Connecticut Income Tax on Reportable Connecticut Lottery Winnings

Purpose: This Announcement alerts nonresidents of Connecticut ("nonresidents") who receive Connecticut Lottery winnings as a result of a wager placed with the Connecticut Lottery Corporation (including Powerball) that recent legislation lowers the threshold at which those winnings become subject to Connecticut income tax. Connecticut Lottery winnings of nonresidents first became subject to Connecticut income tax during the 2001 taxable year but only for those nonresidents who won in excess of \$5,000 as a result of a wager placed with the Connecticut Lottery Corporation (including Powerball). For taxable years beginning on or after January 1, 2002, nonresidents who receive *reportable Connecticut lottery winnings* (as defined below) are subject to Connecticut income tax on those winnings and may need to make estimated Connecticut income tax payments to avoid interest charges for failing to do so.

Effective Date: July 1, 2002, and applicable to reportable Connecticut lottery winnings received by nonresidents during taxable years beginning on or after January 1, 2002.

Statutory Authority: Conn. Gen. Stat. §12-711(b)(1) and (2), as amended by 2002 Conn. Pub. Acts 1, §81 (May 9 Spec. Sess.).

Connecticut Source Income of Nonresidents Now Includes Reportable Connecticut Lottery Winnings: Nonresidents are required to pay Connecticut income tax on their Connecticut source income. Reportable Connecticut Lottery winnings (as defined below) are Connecticut source income and are subject to Connecticut income tax.

Reportable Connecticut Lottery Winnings: Reportable Connecticut Lottery winnings are Connecticut Lottery winnings (including Powerball winnings) that the Connecticut Lottery Corporation is required under the Internal Revenue Code or regulations adopted thereunder to report to the Internal

Revenue Service (IRS). The Connecticut Lottery Corporation is required to report Connecticut Lottery winnings to the IRS if the amount paid to the winner(s) is **\$600 or more**, and **at least 300 times the amount of the wager**.

Estimated Income Tax Payments May Be Required: The Connecticut Lottery Corporation has been and will continue to withhold 4.5% in Connecticut income tax from all payments of reportable Connecticut Lottery winnings made to a nonresident as long as *the proceeds from the wager exceed \$5,000*. (This is the threshold at which federal income tax withholding from State lottery winnings is required under federal law.) However, until further notice, the Connecticut Lottery Corporation will *not* withhold Connecticut income tax from payments of reportable Connecticut Lottery winnings made to a nonresident *if the proceeds from the wager do not exceed \$5,000*. Nonetheless, nonresident winners who are required to file a Connecticut income tax return (see below) are still liable for Connecticut income tax on their reportable Connecticut Lottery winnings, even though the Connecticut Lottery Corporation will not be withholding Connecticut income tax from payments of those winnings. To avoid interest charges for failing to make estimated Connecticut income tax payments, such nonresident winners may need to make such payments.

Filing Connecticut Income Tax Returns: For taxable years beginning on or after January 1, 2002, a nonresident must file **Form CT-1040NR/PY, Connecticut Nonresident or Part-Year Resident Income Tax Return**, if both of the following are true:

- The nonresident receives reportable Connecticut Lottery winnings (including Powerball winnings), and
- The nonresident's *gross income* exceeds:
 - **\$12,000** and the nonresident will file as Married Filing Separately

- **\$12,500*** and the nonresident will file as Single
- **\$19,000** and the nonresident will file as Head of Household
- **\$24,000** and the nonresident will file as Married Filing Jointly

* This amount will be \$12,500 for 2002 and 2003, \$12,750 for 2004, \$13,000 for 2005, \$13,500 for 2006, \$14,000 for 2007, \$14,500 for 2008, and \$15,000 for 2009 or succeeding taxable years.

A nonresident's *gross income* includes all income, whether or not Connecticut source income, received in the form of money, goods, property, and services that is not exempt from federal income tax and any additions that are required to be reported on **Form CT-1040NR/PY, Schedule 1**. If a nonresident's *gross income* is less than the amount required to file a return and Connecticut income tax was withheld from his or her winnings, the nonresident may be eligible for a refund of tax withheld on his or her winnings but cannot receive a refund unless he or she files a **Form CT-1040NR/PY**.

Nonresidents must include on **Form CT-1040NR/PY**, Line 6 the total amount of reportable Connecticut Lottery winnings received during the taxable year. They must include on **Form CT-1040NR/PY**, Line 19 the total Connecticut income tax that was withheld during the taxable year from those winnings. They must attach the "state copy" of federal Form W-2G, showing Connecticut income tax, if any, withheld by the Connecticut Lottery Corporation, to their **Form CT-1040NR/PY**. See the instructions to **Form CT-1040NR/PY** for more information.

Effect on Residents: Residents of Connecticut ("residents") have been and will continue to be subject to Connecticut income tax on *all* gambling winnings that they are required to include for federal income tax purposes in their gross income.

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Informational Publication to be Issued: The Department of Revenue Services (DRS) will issue on or about September 15, 2002 **Informational Publication 2002(18)** to answer frequently-asked questions concerning the Connecticut income tax treatment of State lottery winnings (including Connecticut Lottery winnings).

Effect on Other Documents: None affected.

Effect of This Document: Announcements alert taxpayers to new developments (other than newly enacted or amended Connecticut or federal laws or newly released judicial decisions), including new administrative positions, policies, or practices.

Further Information: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: **www.drs.state.ct.us**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.