



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

AN 2003(9)

25 Sigourney Street
Hartford CT 06106-5032

ANNOUNCEMENT

Connecticut Income Tax Now Required to be Withheld on Reportable Connecticut Lottery Winnings

Purpose: This Announcement alerts residents of Connecticut (“residents”) and nonresidents of Connecticut (“nonresidents”) who receive **reportable Connecticut Lottery winnings** (as defined below) as a result of a wager placed with the Connecticut Lottery Corporation (including Powerball) that, on or after September 1, 2003, the Connecticut Lottery Corporation will begin to withhold Connecticut income tax on reportable Connecticut Lottery winnings made to residents or nonresidents, whether or not federal income tax withholding is required on those winnings.

Effective Date: September 1, 2003.

Statutory Authority: Conn. Agencies Regs. §12-705(b)-2.

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.

Effect on Residents: 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.

Before September 1, 2003, the Connecticut Lottery Corporation has been withholding Connecticut income tax from payments of reportable Connecticut Lottery winnings made to a resident *only if federal income tax withholding was required*. Federal income tax withholding is required on State Lottery winnings only where the proceeds from the wager exceed \$5,000.

On or after September 1, 2003, the Connecticut Lottery Corporation will be withholding Connecticut income tax at the rate of 5% from payments of reportable Connecticut Lottery winnings made to a resident, **whether or not federal income tax withholding is required**.

Effect on Nonresidents: For taxable years beginning on or after January 1, 2002, nonresidents have been subject to Connecticut income tax on their reportable Connecticut Lottery winnings. However, before September 1, 2003, the Connecticut Lottery Corporation has been withholding Connecticut income tax from payments of reportable Connecticut Lottery winnings made to a nonresident *only if federal income tax withholding was required*. Federal income tax withholding is required on State Lottery winnings only where the proceeds from the wager exceed \$5,000. Consequently, nonresidents who received reportable Connecticut Lottery winnings where federal income tax withholding was not required were subject to Connecticut income tax on those winnings and may have been required to make estimated Connecticut income tax payments because no Connecticut income tax was being withheld on those winnings.

On or after September 1, 2003, the Connecticut Lottery Corporation will be withholding Connecticut income tax at the rate of 5% from payments of

reportable Connecticut Lottery winnings made to a nonresident, *whether or not federal income tax withholding is required.*

Informational Publication to be Issued: On or about September 1, 2003, the Department of Revenue Services (DRS) will issue **Informational Publication 2003(21)**, *Connecticut Income Tax Treatment of State Lottery Winnings Received by Residents and Nonresidents of Connecticut*, superseding **Informational Publication 2002(18)**, *Connecticut Income Tax Treatment of State Lottery Winnings Received by Residents and Nonresidents of Connecticut*, 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.

For Further Information: Call DRS during business hours, 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 anytime by calling 860-297-4911.

AN 2003(9)
Income Tax
Lottery Winnings
Issued: 07/28/2003

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Preview and download forms and publications from the DRS Web site: **www.ct.gov/DRS**
 - **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.
-

Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the Internet or telephone. Visit the DRS Web site at www.ct.gov/DRS and click on ***File Returns On-Line***.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on ***File Returns On-Line***.