

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2566 Session of
1996

INTRODUCED BY READSHAW, MELIO, STABACK, GORDNER, SHANER, BEBKO-
JONES, HALUSKA, LEVDANSKY, GIGLIOTTI, HORSEY, VAN HORNE, BARD
AND STEELMAN, APRIL 15, 1996

REFERRED TO COMMITTEE ON FINANCE, APRIL 15, 1996

AN ACT

1 Amending the act of August 26, 1971 (P.L.351, No.91), entitled
2 "An act providing for a State Lottery and administration
3 thereof; authorizing the creation of a State Lottery
4 Commission; prescribing its powers and duties; disposition of
5 funds; violations and penalties therefor; exemption of prizes
6 from State and local taxation and making an appropriation,"
7 further providing for the imposition and collection of State
8 personal income tax from lottery prizes and for the duties of
9 lottery sales agents; making a repeal; and making editorial
10 changes.

11 The General Assembly of the Commonwealth of Pennsylvania
12 hereby enacts as follows:

13 Section 1. The title and sections 13 and 15 of the act of
14 August 26, 1971 (P.L.351, No.91), known as the State Lottery
15 Law, are amended to read:

AN ACT

17 Providing for a State Lottery and administration thereof;
18 [authorizing the creation of a State Lottery Commission;]
19 prescribing [its powers and duties;] for the disposition of
20 funds; providing for violations and penalties therefor[;
21 exemption of prizes from] and for State and local taxation of

1 lottery prizes; and making an appropriation.

2 Section 13. [Exemption of Lottery Prizes from State and
3 Local Taxation.--No State or local taxes of any kind whatsoever
4 shall be imposed upon the proceeds from a prize awarded by the
5 State lottery.] Taxation of Lottery Prizes.--

6 (a) Every person who is awarded a lottery prize under the
7 provisions of this act shall be liable for the requisite amount
8 of State personal income tax imposed under Article III of the
9 act of March 4, 1971 (P.L.6, No.2), known as the "Tax Reform
10 Code of 1971."

11 (b) (1) Except as provided in clause (2) of this
12 subsection, the secretary shall, upon payment of any lottery
13 prize of six hundred dollars (\$600) or more, withhold the full
14 amount of the State personal income tax due the Commonwealth.
15 Concurrent with the payment of the lottery prize, the person
16 claiming the lottery prize shall be given appropriate
17 documentation indicating the total amount of State personal
18 income tax withheld.

19 (2) Whenever the secretary determines that a lottery prize
20 will be paid by means of an annuity, the amount of State
21 personal income tax to be withheld shall be determined by
22 multiplying the matured value of the annuity by the rate of tax
23 imposed under Article III of the "Tax Reform Code of 1971." The
24 amount of tax due the Commonwealth shall be withheld from the
25 purchase price of the annuity.

26 (3) The secretary shall promulgate rules and regulations
27 necessary to accomplish the withholding of State personal income
28 tax from the lottery prizes awarded and appropriate forms to
29 indicate the amount of State tax withheld.

30 (c) All moneys withheld under this section shall be

1 immediately transmitted to the State Treasurer for deposit in
2 the General Fund.

3 (d) Lottery prizes awarded under this act shall not be
4 subject to any local taxes.

5 Section 15. Bank Deposits and Control of Lottery
6 Transactions.--The secretary [may, in his discretion,] shall
7 require [any or] all lottery sales agents to deposit to the
8 credit of the State Lottery Fund in banks, designated by the
9 State Treasurer, on a daily basis all moneys received by such
10 agents from the sale of lottery tickets or shares, less the
11 amount, if any, retained as compensation for the sale of the
12 tickets or shares, and to file with the secretary or his
13 designated agents reports of their receipts and transactions in
14 the sale of lottery tickets in such form and containing such
15 information as he may require. The secretary may make such
16 arrangements for any person, including a bank, to perform such
17 functions, activities or services in connection with the
18 operation of the lottery as he may deem advisable pursuant to
19 this act and the rules and regulations of the department, and
20 such functions, activities or services shall constitute lawful
21 functions, activities and services of such person.

22 Section 2. Section 360 of the act of March 4, 1971 (P.L.6,
23 No.2), known as the Tax Reform Code of 1971, is repealed.

24 Section 3. This act shall take effect January 1, 1997.