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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

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BEN FRANKLIN TECHNOLOGY
DEVELOPMENT AUTHORITY

MEMORANDUM

TO: All House Members

FROM: Representative Adam Harris *CAH*

DATE: January 25, 2011

SUBJECT: Proposed Legislation - Lottery Winnings/State Taxes

As you all know, the economic climate the Commonwealth has endured in recent years has forced the General Assembly to examine any and all viable revenue generating options. Of these options, significant effort and attention has been exerted on establishing creative funding solutions that revolve around the enforcement of current collection laws, as opposed increasing or creating new state taxes. A clear illustration of these efforts was the enactment of the Tax Amnesty Program, which generated over \$200 million in outstanding tax revenue.

To keep with the legislative values embodied by Tax Amnesty Program and other creative proposals, I will be introducing a measure in the near future which will address owed state taxes and lottery winnings. If enacted, my legislation will require the Department of Revenue to conduct a background check on any individual that wins more than \$2,500 as a result of playing the Pennsylvania Lottery. The nature of this check will be to determine if the individual in question owes back taxes to the Commonwealth. In the event the background check leads to a determination of taxes owed, the amount will be deducted from any winnings. Current state law only requires the Department of Revenue and the Department of Public Welfare to work together to garnish lottery winnings when back child support is owed.

While legislation such as this will never garner the windfall the Tax Amnesty Program did, it is sound policy that keeps with the General Assembly's efforts of recouping and generating additional state revenue without increasing or creating any taxes. Further, any reduction in the amount owed to the Commonwealth in back taxes is a positive. As of January 2011, the Commonwealth had placed 53,000 liens on individuals on businesses for state taxes which equal more than \$370 million in outstanding tax revenue.

Please join me in my efforts to strengthen Pennsylvania's tax collection laws by enacting sound and innovative public policy. If you wish to co-sponsor this important piece of legislation, please contact Valerie Kane at 783-7830 or via email at vkane@pahousegop.com.