

SENATE BILL NO. 428
INTRODUCED BY AKLESTAD

IN THE SENATE

MARCH 2, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
MARCH 25, 1993	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 26, 1993	PRINTING REPORT.
	SECOND READING, DO PASS.
MARCH 27, 1993	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 48; NOES, 1.
	TRANSMITTED TO HOUSE.

IN THE HOUSE

MARCH 29, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
APRIL 7, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
APRIL 12, 1993	SECOND READING, CONCURRED IN.
APRIL 13, 1993	THIRD READING, CONCURRED IN. AYES, 76; NOES, 23.
APRIL 14, 1993	RETURNED TO SENATE.

IN THE SENATE

APRIL 15, 1993	SENT TO ENROLLING.
	REPORTED CORRECTLY ENROLLED.

Senate BILL NO. 428

INTRODUCED BY AKLESTAD

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT LOTTERY PROCEEDS IN EXCESS OF \$5,000 ARE SUBJECT TO THE STATE WITHHOLDING TAX; AND PROVIDING AN EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Policy and purpose. (1) It is the policy and intent of the legislature that lottery proceeds received by a person who has paid for a ticket or chance to win a prize under the provisions of Title 23, chapter 7, is Montana source income. This policy statement affirms that the legislature has always considered lottery proceeds to be Montana source income.

(2) The purpose of [section 2] is to ensure that lottery proceeds that are Montana source income are subject to the withholding tax under the individual income tax laws of the state.

NEW SECTION. Section 2. Withholding of lottery winnings. (1) When making any payment of winnings that are subject to withholding, the state lottery commission, created under Title 23, chapter 7, part 2, shall deduct and withhold from the payment a tax in an amount equal to 10% of

the payment.

(2) For the purposes of this section, the phrase "winnings that are subject to withholding" means the proceeds in excess of \$5,000 won from a lottery game operated pursuant to Title 23, chapter 7.

(3) Every person who receives a payment of winnings that are subject to withholding shall furnish the state lottery commission with a signed statement containing the name, address, and taxpayer identification number of the recipient and of every person entitled to any portion of the payment. The signed statement must be treated as a statement under oath or equivalent affirmation for the purposes of 45-7-202, relating to the criminal offense of false swearing.

NEW SECTION. Section 3. Codification instruction. [Sections 1 and 2] are intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [sections 1 and 2].

NEW SECTION. Section 4. Effective date -- retroactive applicability. [This act] is effective July 1, 1993, and applies retroactively, within the meaning of 1-2-109, to all lottery proceeds subject to the withholding tax regardless of when the prize was won.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0428, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing that lottery proceeds in excess of \$5,000 are subject to the state withholding tax, and providing an effective date and a retroactive applicability date.

ASSUMPTIONS:

1. Withholding will start July 1, 1993.
2. Currently, the Montana Lottery reports all winnings over \$600 to the Department of Revenue.
3. Lottery winners report all winnings on Montana individual income tax forms, whether subject to withholding or not.
4. Projected monthly Powerball and Cash Jackpot winnings (over \$5,000) will be \$200,000 each month for both games (Montana Lottery).
5. It is assumed that there will be no additional Lotto America Montana winners in FY94 and FY95; annual payments to previous Lotto America and Big Spin winners will continue, however (Montana Lottery).
6. There will be no FY94 revenue impact for tax year 1993 (calendar year 93), since the winnings subject to the new withholding would have been reported on that tax year's income tax form, filed in April, 1994. The FY94 revenue impact consists of January-June 1994 withholding collections.
7. The FY95 revenue impact will be zero, since additional withholding collections will be negated by lower tax return payments.

FISCAL IMPACT:Expenditures:

There will be no impact on Department of Revenue expenditures.

Revenues:

	FY '94			FY '95		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Individual Income Tax	\$328,943,000	\$329,138,250	\$ 195,250	\$339,696,000	\$339,696,000	0

TECHNICAL NOTE:

This legislation is a revenue acceleration measure, with the one-time revenue increase occurring in FY94.

David Lewis 3-5-93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Gary C. Aklestad 3-6-93
GARY C. AKLESTAD, PRIMARY SPONSOR DATE

Fiscal Note for SB0428, as introduced.

SB 428

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0428, third reading.

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing that lottery proceeds in excess of \$5,000 are subject to the state withholding tax, and providing an effective date and a retroactive applicability date.

ASSUMPTIONS:

1. Withholding will be fully operational beginning July 1, 1993, although the immediate effective date may accelerate a minor portion of the revenue into FY 93.
2. Currently, the Montana Lottery reports all winnings over \$600 to the Department of Revenue.
3. Lottery winners report all winnings on Montana individual income tax forms, whether subject to withholding or not.
4. Projected monthly Powerball and Cash Jackpot winnings (over \$5,000) will be \$200,000 each month for both games (Montana Lottery).
5. It is assumed that there will be no additional Lotto America Montana winners in FY94 and FY95; annual payments to previous Lotto America and Big Spin winners will continue, however (Montana Lottery).
6. There will be no FY94 revenue impact for tax year 1993 (calendar year 93), since the winnings subject to the new withholding would have been reported on that tax year's income tax form, filed in April, 1994. The FY94 revenue impact consists of January-June 1994 withholding collections.
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There will be no impact on Department of Revenue expenditures.

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Individual Income Tax	\$328,943,000	\$329,138,250	\$ 195,250	\$339,696,000	\$339,696,000	0

TECHNICAL NOTE:

This legislation is a revenue acceleration measure, with the one-time revenue increase occurring in FY94.

David Lewis 3-31-93
 DAVID LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

Gary C. Aklestad 4/5/93
 GARY C. AKLESTAD, PRIMARY SPONSOR DATE

Fiscal Note for SB0428, third reading.

SB 428

APPROVED BY COMMITTEE
ON TAXATION

SENATE BILL NO. 428

INTRODUCED BY AKLESTAD

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Policy and purpose. (1) It is the policy and intent of the legislature that lottery proceeds received by a person who ~~has-paid-for~~ REDEEMS a ticket or chance to win a prize ON A TICKET OR CHANCE PURCHASED IN MONTANA under the provisions of Title 23, chapter 7, is Montana source income, NOTWITHSTANDING THE RESIDENCE OF THE PERSON OR ENTITY THAT REDEEMS THE TICKET.

This policy statement affirms that the legislature has always considered lottery proceeds to be Montana source income.

(2) The purpose of [section 2] is to ensure that lottery proceeds that are Montana source income are subject to the withholding tax under the individual income tax laws of the state.

NEW SECTION. Section 2. Withholding of lottery winnings. (1) When making any payment of winnings that are

subject to withholding, the state lottery commission, created under Title 23, chapter 7, part 2, shall deduct and withhold from the payment a tax in an amount equal to 10% of the payment.

(2) For the purposes of this section, the phrase "winnings that are subject to withholding" means the proceeds in excess of \$5,000 won from a lottery game operated pursuant to Title 23, chapter 7.

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NEW SECTION. Section 3. Codification instruction. [Sections 1 and 2] are intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [sections 1 and 2].

NEW SECTION. Section 4. Effective date -- retroactive applicability. [This act] is effective ~~July--17--1997~~ ON PASSAGE AND APPROVAL and applies retroactively, within the meaning of 1-2-109, to all lottery proceeds subject to the

SB 0428/02

1 withholding tax regardless of when the prize was won.

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