

Sec. 12-705(b)-2. Gambling winnings

(a) Winnings subject to withholding.

(1) The following winnings are subject to Connecticut income tax withholding:

(A) any payment made by the Connecticut Lottery Corporation of winnings from a wager placed in a lottery conducted by the Connecticut Lottery Corporation to an individual who was a resident on the date that the numbers of such winning Connecticut lottery ticket were drawn (or if no drawing of numbers was conducted, on the date that such winning lottery ticket was purchased), if federal income tax withholding is required under section 3402(q) of the Internal Revenue Code;

(B) any payment of winnings from a wager placed in a pari-mutuel pool with respect to horse or dog races or jai-alai games to an individual who was a resident on the date of the race, if federal income tax withholding is required under section 3402(q) of the Internal Revenue Code; and

(C) any payment of gambling winnings by any other payer who maintains an office or transacts business within Connecticut to an individual who was a resident on the date the wager was made or to someone receiving them on behalf of a Connecticut resident, if such winnings are subject to federal income tax withholding under section 3402(q) of the Internal Revenue Code.

(2) For purposes of this section, the proceeds from a wager are determined by reducing the amount received by the amount of the wager, and the terms “winnings” and “gambling winnings” shall include both cash and noncash winnings. The value of noncash winnings shall be their fair market value. Where the proceeds from a wager or wagering transaction are subject to Connecticut income tax withholding under this section, the total amount of the proceeds, not merely the portion of the proceeds exceeding \$5,000 in the case of proceeds from a wager placed in a lottery described in section 3402(q)(3)(B) of the Internal Revenue Code or from a wager or wagering transaction described in section 3402(q)(2)(A) or (C) of the Internal Revenue Code, is subject to such withholding.

(b) Other payments subject to withholding.

(1) Any payment of moneys to an assignor, who was a resident individual on the date that the numbers of his or her winning Connecticut lottery ticket were drawn (or if no drawing of numbers was conducted, on the date that such winning lottery ticket was purchased) by an assignee in consideration for the assignment of a Connecticut lottery prize payment or payments is subject to Connecticut income tax withholding. Subsequent to an assignment, the Connecticut Lottery Corporation shall no longer be required to deduct and withhold Connecticut income tax from Connecticut lottery prize payments made to the assignee pursuant to such assignment.

(2) For purposes of this subsection, “assignor” means a Connecticut lottery prize winner who makes an assignment of his or her Connecticut lottery prize to an assignee; “assignee” means a person to whom an assignor makes an assignment of a Connecticut lottery prize; and “assignment” means a contract between an assignor and an assignee, approved by the Superior Court and recognized by the Connecticut Lottery Corporation, in accordance with section 12-831 of the General Statutes, and the rules of operations of the Connecticut Lottery Corporation, whereby the assignee shall be granted the right to receive, to the extent assigned, a Connecticut lottery prize, in installments, that the assignor would otherwise be

entitled to receive, and the Connecticut Lottery Corporation shall be discharged from any further liability to the assignor for the Connecticut lottery prize.

(c) Treatment of payer of winnings or other payments subject to withholding.

(1) Any person making payments of winnings that are subject to Connecticut income tax withholding under subsection (a) of this section and any assignee making payments that are subject to Connecticut income tax withholding under subsection (b) of this section shall be treated in the same manner that an employer making payments of wages that are subject to Connecticut income tax withholding is treated under the regulations of this Part. Therefore, a person not otherwise required to register with the Department to withhold Connecticut income tax shall, by virtue of making payments of winnings that are subject to Connecticut income tax withholding under subsection (a) of this section or such other payments that are subject to Connecticut income tax withholding under subsection (b) of this section, be required to so register by filing a Form REG-1 (Application For Tax Registration Number). Connecticut income tax deducted and withheld from such winnings by a payer or from such other payments by an assignee shall be treated and paid over to the Department in the same manner as Connecticut income tax deducted and withheld from wages paid by an employer required to deduct and withhold such tax under this Part.

(2) A payer of winnings that are subject to Connecticut income tax withholding under subsection (a) of this section shall give to each payee the “state copy” of the federal Form W-2G, showing thereon the amount of Connecticut income tax that was withheld, on or before January 31 of the succeeding taxable year. A payer of such winnings shall file a Form CT-1096, with a duplicate of the “state copy” of such federal Form W-2G, with the Department on or before the due date that is specified in § 12-727(a)-2 of Part XI.

(3) An assignee making payments that are subject to Connecticut income tax withholding under subsection (b) of this section shall give to each assignor the “state copy” of the federal Form 1099-MISC, showing thereon the amount of Connecticut income tax that was withheld, on or before January 31 of the succeeding taxable year. An assignee making such payments shall file a Form CT-1096, with a duplicate of the “state copy” of such federal Form 1099-MISC, with the Department on or before the due date that is specified in § 12-727(a)-2 of Part XI.

(d) Amount to be withheld. The amount of Connecticut income tax to be deducted and withheld by the payer from winnings that are subject to Connecticut income tax withholding under subsection (a) of this section and by the assignee from payments that are subject to Connecticut income tax withholding under subsection (b) of this section shall be computed at the highest marginal Connecticut income tax rate for the taxable year.

(e) Determination of winner’s status as a Connecticut resident.

(1) The winner’s resident status shall be determined by the payer based on two Forms of identification provided by the winner. Before the payment of any winnings, the payer shall obtain from the winner sufficient information to enable the payer to complete a Federal Form W-2G (Certain Gambling Winnings) pertaining to the winner.

(2) If more than one individual is entitled to a share of the gambling winnings, one federal Form 5754 (Statement by a Person(s) Receiving Gambling Winnings) shall be completed, identifying each of the persons entitled to a share. Form 5754 is also used when the recipient is an individual not entitled to a share. This Form lists the name, address, and taxpayer

identification number of all individuals entitled to any share of the winnings. In the event the identity or residence of any individual entitled to share in the winnings cannot be satisfactorily established by the individual receiving the winnings, the share of the winnings to which such individual is entitled shall be considered to have been won by a resident of Connecticut and the income tax shall be withheld. The Form shall be signed, under penalties of perjury, by the individual(s) receiving the winnings.

(f) **Change of resident status by Connecticut Lottery prize winner.** Where a resident payee of Connecticut lottery winnings changes status from a resident individual to a nonresident individual, or where a nonresident payee of Connecticut lottery winnings changes status from a nonresident individual to a resident individual, Connecticut income tax shall continue to be withheld by the Connecticut Lottery Corporation from such winnings.

(Effective November 18, 1994; Amended August 3, 2001; Amended July 3, 2003)