1999 DRAFTING REQUEST

Bill

Received: **02/24/99**

Received By: **isagerro**

Wanted: **As time permits**

Identical to LRB:

For: **John Townsend (608) 266-3156**

By/Representing:

This file may be shown to any legislator: **NO**

Drafter: **isagerro**

May Contact:

Alt. Drafters: **shoveme**

Subject: **Gambling - lottery**
Tax - individual income

Extra Copies: **RCT, JK**

Pre Topic:

No specific pre topic given

Topic:

Allow lottery winners 60 days to decide how they want distribution, make default annuity unless elect lump sum

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Instructions:

See Attached

Drafting History:

Vers.	Drafted	Reviewed	Typed	Proofed	Submitted	Jacketed	Required
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/4	isagerro 04/28/99	chanaman 04/28/99	hhagen 04/28/99	_____ _____	lrb_docadmin 04/28/99	lrb_docadmin 04/30/99	State

FE Sent For: **04/30/99.**

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LRB-2327

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LRB-2327

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MES

inc. the state –

pick up the use of ~~tax~~ law

71.01(6)(m)

any prize that awarded

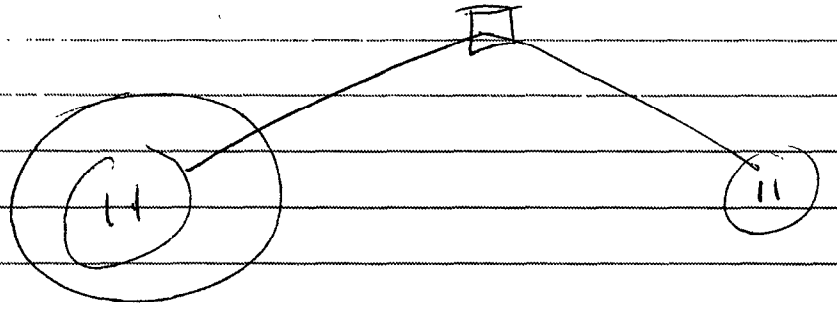
payable over 10 years or more

① Are the concepts "single cash payment" + "annuity" in ch. 565? Aren't these things referred to as "lump sum payments" + "installments"

② p2, line 8 = "subsection"? as opposed to "section".

③ p2, line 12: should you repeat "lottery share" again?

→ Entire header needs order IRC



Facsimile Cover Sheet

Wisconsin Department of Revenue
Income, Sales & Excise Tax Division
Administration
125 South Webster St.
P.O. Box 8933
Madison, WI 53708-8933
(608)266-1911

Fax Number: (608) 261-6240

Number of pages attached, including this cover sheet: 4

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Additional Information:

Here is the information on the federal law change relating to lottery prizes.

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i:\elaine\fax transmittal memo

TAX TREATMENT CHANGED FOR CASH OPTIONS FOR PRIZES

As part of the massive federal omnibus appropriations legislation approved this fall, the tax treatment of cash options for receipt of qualified prizes was changed. Following is the new language.

Sec. 5301. TAX TREATMENT OF CASH OPTION FOR QUALIFIED PRIZES.

IN GENERAL—Section 451 (relating to taxable year for which items of gross income included) is amended by adding at the end the following new subsection:

"(h) SPECIAL RULE FOR CASH OPTIONS FOR RECEIPT OF QUALIFIED PRIZES—

"(1) IN GENERAL.— For purposes of this title, in the case of an individual on the cash receipts and disbursements method of accounting, a qualified prize option shall be disregarded in determining the taxable year for which any portion of the qualified prize is properly includible in gross income of the taxpayer.

"(2) QUALIFIED PRIZE OPTION; QUALIFIED PRIZE.— For purposes of this subsection—

"(A) IN GENERAL.— The term 'qualified prize option' means an option which—

"(i) entitles an individual to receive a single cash payment in lieu of receiving a qualified prize (or remaining portion thereof), and

"(ii) is exercisable not later than 60 days after such individual becomes entitled to the qualified prize.

"(B) QUALIFIED PRIZE.—The term 'qualified prize' means any prize or award which—

"(i) is awarded as a part of a contest, lottery, jackpot, game or other similar arrangement,

"(ii) does not relate to any past services performed by the recipient and does not require the recipient to perform any substantial future service, and

"(iii) is payable over a period of at least 10 years.

"(3) PARTNERSHIP, ETC. —The Secretary shall provide for the application of this subsection in the case of a partnership or other pass-through entity consisting entirely of individuals described in paragraph (1)."

EFFECTIVE DATE.—

IN GENERAL.—The amendment made by this section shall apply to any prize to which a person first becomes entitled after the date of enactment of this Act.

TRANSITION RULE.—The amendment made by this section shall apply to any prize to which a person first becomes entitled on or before the date of enactment of this Act, except that in determining whether an option is a qualified prize option as defined in section 451(h)(2)(A) of the Internal Revenue Code of 1986 (as added by such amendment)—

clause (ii) of such section 451(h)(2)(A) shall not apply, and

such option shall be treated as a qualified prize option if it is exercisable only during all or part of the 18-month period beginning on July 1, 1999.

IRS TO ROLL OUT FEIN INITIATIVE NATIONALLY

After a successful pilot effort and a decision to roll out the program incrementally, IRS is implementing nationally a program to enable small business taxpayers to obtain a federal employer identification number (FEIN) at the same time they apply for a state business license.

A 90-day test project took place between the IRS Pacific Northwest District and Washington state, involving the Department of Licensing and Secretary of State's Office that was rolled out to the Departments of Revenue, Employment Security, and Labor and Industry. All the departments issue the Washington State uniform business identification number. During that period more than 1,000 FEINs were assigned. Only four were canceled, either because the business entity already had a number or a clerical error was made.

Taxpayers appreciated the improved customer service and burden reduction. For the state, the slightly increased costs in employee time and transmittal of information to IRS was offset by customer appreciation of the added service. An ability to transmit the data electronically in the future is expected to reduce costs for states whose systems permit such. For its part, IRS found an unexpected benefit in taxpayer education as taxpayers were made aware of IRS small business workshops and the availability of tax forms and instructions electronically.

Participating states will enter an agreement with IRS that permits them to conditionally assign an FEIN to certain taxpayers at the time they apply for their state business licenses. IRS Service Centers will provide each participating state with a block of FEINs to be conditionally assigned to qualified taxpayers wishing to use the expedited process. IRS is also working on a way to automate the allocation of blocks of FEINs, to sequentially assign the numbers, and to transmit and processing the Form SS-4 data electronically.

Interested states should contact their FedState coordinator and IRS district. A Memorandum of Understanding will be required to participate in the program.

Amendments Related to the Tax Reform Act of 1984

Casualty Loss Deduction

The Act provides that all deductions for nonbusiness casualty and theft losses are taken into account in computing the net operating loss and are not treated as miscellaneous itemized deductions subject to the 2% adjusted gross income floor, or as itemized deductions subject to the overall limitation on itemized deductions, and are allowed to nonresident aliens.

The provision relating to the net operating loss and the deduction for nonresident aliens applies to taxable years beginning after December 31, 1983.

The provision relating to miscellaneous itemized deductions applies to taxable years beginning after 1986.

The provision relating to the overall limitation on itemized deductions applies to taxable years beginning after 1990.

[Act §4004; Code §§172, 67, 68, 873]

Other Amendments

Disclosure of Tax Return Information to the Dept. of Agriculture

The Act permits the continuation of disclosure of tax return information for the purpose of structuring, conducting, and preparing the census of agriculture by authorizing the Dept. of Agriculture to receive this information.

Effective on October 21, 1998.

[Act §4006(a); Code §6103(j)]

Amendments to the Transportation Equity Act for the 21st Century

The Act clarifies that the Secretary of the Treasury is not required to invest Highway Trust Fund balances in interest-bearing obligations (because any interest paid to the Trust Fund by the General Fund would be immediately returned to the General Fund).

[Act §4006(b); Code §9503(f)]

TITLE V—MEDICARE-RELATED PROVISIONS

Subtitle C—Revenue Offsets

Tax Treatment of Cash Option for Qualified Prizes

The Act provides that a prize winner who is provided the option to choose either cash or an annuity within 60 days after becoming entitled to the prize is not required to include amounts in gross income merely by reason of having the option. Types of prizes qualifying are lotteries, jackpots, games or similar arrangements that provide a series of payments over a period of at least 10 years, provided that the prize or award does not relate to any past services performed by the recipient and does not require the recipient to perform any substantial future service.

The provision is effective for prizes to which the taxpayer first becomes entitled after October 21, 1998. The provision also applies to a prize to which the taxpayer became entitled before October 21, 1998, if the taxpayer has the option to receive a single cash payment during the 18-month period beginning on July 1, 1999.

[Act §5301; Code §451]

10/21/98

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71.01(6)(m)

(m) For taxable years that begin after December 31, 1997, for natural persons and fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, "Internal Revenue Code" means the federal Internal Revenue Code as amended to December 31, 1997, excluding sections 103, 104 and 110 of P.L. 102-227, sections 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103-66 and sections 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104-188, and as amended by section 5301 of P.L. 105-277 and as indirectly affected by P.L. 99-514, P.L. 100-203, P.L. 100-647, P.L. 101-73, P.L. 101-140, P.L. 101-179, P.L. 101-239, P.L. 101-280, P.L. 101-508, P.L. 102-90, P.L. 102-227, excluding sections 103, 104 and 110 of P.L. 102-227, P.L. 102-318, P.L. 102-486, P.L. 103-66, excluding sections 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103-66, P.L. 103-296, P.L. 103-337, P.L. 103-465, P.L. 104-7, P.L. 104-117, P.L. 104-188, excluding sections 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104-188, P.L. 104-191, P.L. 104-193, P.L. 105-33, ~~and~~ P.L. 105-34 and section 5301 of P.L. 105-277. The Internal Revenue Code applies for Wisconsin purposes at the same time as for federal purposes. Amendments to the federal Internal Revenue Code enacted after December 31, 1997, do not apply to this paragraph with respect to taxable years beginning after December 31, 1997, except that changes to the Internal Revenue Code made by section 5301 of P.L. 105-277 and changes that indirectly affect the provisions applicable to this subchapter made by section 5301 of P.L. 105-277 apply for Wisconsin purposes at the same time as for federal purposes.

[JOINT COMMITTEE PRINT]

GENERAL EXPLANATION OF TAX LEGISLATION ENACTED IN 1998

PREPARED BY THE STAFF

OF THE

JOINT COMMITTEE ON TAXATION

NOVEMBER 24, 1998

JCS-6-98

sirable to lessen controversy by providing a definitive list of items for which the 10-year specified liability loss carryback is available.

Explanation of Provision

Under the provision, specified liability losses are limited to (1) product liability losses and (2) amounts allowable as a deduction (other than a deduction under sec. 468(a)(1) or sec. 468A(a)) that are in satisfaction of a liability under a Federal or State law requiring the reclamation of land, decommissioning of a nuclear power plant (or any unit thereof), dismantlement of a drilling platform, remediation of environmental contamination, or a payment under any workers compensation act (within the meaning of sec. 461(h)(2)(C)(i)), if the act (or failure to act) giving rise to such liability occurs at least 3 years before the beginning of the taxable year. As under prior law, the specified liability loss (as redefined) cannot exceed the amount of the net operating loss and is only available to taxpayers that used an accrual method of accounting throughout the period that the act (or failure to act) giving rise to the liability occurred. No inference regarding the interpretation of the specified liability loss carryback rules under prior law is intended.

Effective Date

The provision is effective for net operating losses arising in taxable years ending after the date of enactment (after October 21, 1998).

Revenue Effect

The provision is estimated to increase Federal budget receipts by $14 million in 1999, $21 million in 2000, $29 million in 2001, $39 million in 2002, $42 million in 2003, $40 million in 2004, $40 million in 2005, $40 million in 2006, and $42 million in 2007.

E. Tax Treatment of Prizes and Awards (sec. 5301 of the Act)[120]

Present and Prior Law

A taxpayer generally is required to include an item in income no later than the time of its actual or constructive receipt, unless the item properly is accounted for in a different period under the taxpayer's method of accounting. If a taxpayer has an unrestricted right to demand the payment of an amount, the taxpayer is in constructive receipt of that amount whether or not the taxpayer makes the demand and actually receives the payment.

Under the principle of constructive receipt, the winner of a contest who is given the option of receiving either a lump-sum distribution or an annuity is required to include the value of the award in gross income, even if the annuity option is exercised. Alternatively, the principle of constructive receipt does not apply if, prior to the declaration of a winner (such as at the time of pur-

chase of a lottery ticket), a taxpayer designates whether he or she chooses to receive a lump-sum distribution or an annuity. This is the case because the taxpayer does not have an unrestricted right to demand the payment of the winnings, since the taxpayer has not yet in fact won.

Explanation of Provision

The existence of a "qualified prize option" is disregarded in determining the taxable year for which any portion of a qualified prize is to be included in income. A qualified prize option is an option that entitles a person to receive a single cash payment in lieu of a qualified prize (or portion thereof), provided such option is exercisable not later than 60 days after the prize winner becomes entitled to the prize. Thus, a qualified prize winner who is provided the option to choose either cash or an annuity not later than 60 days after becoming entitled to the prize is not required to include amounts in gross income immediately if the annuity option is exercised merely by reason of having the option. This provision applies with respect to any qualified prize to which a person first becomes entitled after the date of enactment.

In addition, the provision also applies to any qualified prize to which a person became entitled on or before the date of enactment if the person has an option to receive a lump-sum cash payment only during some portion of the 18-month period beginning on July 1, 1999. This is intended to give previous prize winners a one-time option to alter previous payment arrangements.

Qualified prizes are prizes or awards from contests, lotteries, jackpots, games or similar arrangements that provide a series of payments over a period of at least 10 years, provided that the prize or award does not relate to any past services performed by the recipient and does not require the recipient to perform any substantial[121] future service. The provision applies to individuals on the cash receipts and disbursements method of accounting. Income and deductions resulting from this provision retain their character as ordinary, not capital. In addition, the Secretary is to provide for the application of this provision in the case of a partnership or other pass-through entity consisting entirely of individuals on the cash receipts and disbursements method of accounting.

Any offer of a qualified prize option must include disclosure of the methodology used to compute the single cash payment, including the discount rate that makes equivalent the present values of the prize to which the prize winner is entitled (or relevant portion thereof) and the single cash payment offered. Any offer of a qualified prize option must also clearly indicate that the prize winner is under no obligation to accept any offer of a single cash payment and may continue to receive the payments to which he or she is entitled under the terms of the qualified prize.

Effective Date

The provision applies with respect to any qualified prize to which a person first becomes entitled after the date of enactment (after

[120] [illegible] Act of 1998")

[121] [illegible] relating to the prize or award is not (in and of itself) substantial.

October 21, 1998). In addition, the provision also applies to any qualified prize to which a person became entitled on or before the date of enactment if the person has an option to receive a lump-sum payment only during some portion of the 18-month period beginning on July 1, 1999.

Revenue Effect

The provision is estimated to increase Federal fiscal year budget receipts by $170 million in 1999 and by $1,618 million in 2000, and to reduce receipts by $99 million in 2001, $348 million in 2002, $397 million in 2003, $384 million in 2004, $367 million in 2005, $346 million in 2006, and by $321 million in 2007.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1751 Pinnacle Drive
McLean VA 22102-3811
Telephone (703) 918 3000
Facsimile (703) 506 3855

January 22, 1999

Mr. David M. Lewis
Lewis, Goldberg & Ball
1320 Old Chain Bridge Road
Suite 360
McLean, Virginia 22101

Dear Mr. Lewis:

Pursuant to your request, we are writing to summarize our preliminary findings regarding the state personal income tax conformity with the provisions of the Internal Revenue Code of 1986, as amended, (the "Code") for all 50 states. Specifically, we have focused upon Section 451(h) of the Code, which was recently enacted as part of the 1998 budget bill. Section 451(h) provides relief for individual taxpayers who win a lottery prize and exercise their option to receive a single cash payment in lieu of a "qualified prize" earned over a period of at least 10 years. Our review has been conducted within the context of whether the various states do conform or do not conform with the recent adoption of Section 451(h) of the Code in the 1998 budget bill. A summary of those states and their Internal Revenue Code conformity status is set forth below.

Periodic Conformity

The following states conform with the Internal Revenue Code as of specific dates and, thus, require the periodic enactment of legislation to maintain conformity:

Arizona	**Maine**
District of Columbia	**Massachusetts**
Georgia	**Michigan**
Hawaii	**Minnesota**
Idaho	**New Hampshire**
Indiana	**South Carolina**
Iowa	**West Virginia**
Kentucky	**Wisconsin**

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Partial or Non-Conformity

The following states either partially conform or do not conform with the Internal Revenue Code and, thus, require the periodic enactment of legislation to amend their definitions of "gross income" or "taxable income":

Arkansas
California
Connecticut
Mississippi
Montana
Tennessee

Please bear in mind that this summary is preliminary and subject to revision. If you have any questions, please call me at (703) 918-3026 at your convenience.

Sincerely,

Byron Hennessey

Byron Hennessey

MULTI-STATE LOTTERY ASSOCIATION

Arizona Lottery * Connecticut Lottery Corporation * D.C. Lottery and Charitable Games Control Board
Delaware State Lottery * Florida Lottery * Hoosier Lottery * Idaho Lottery * Iowa Lottery * Kansas Lottery
Kentucky Lottery Corporation * Louisiana Lottery Corporation * Minnesota State Lottery * Missouri Lottery
Montana Lottery * Nebraska Lottery * New Hampshire Sweepstakes Commission * New Mexico Lottery Authority
Oregon Lottery * Rhode Island Lottery * South Dakota Lottery * Wisconsin Lottery * West Virginia Lottery

1701 48th Street, Suite 210
West Des Moines, Iowa 50266-6723
Voice: 515-453-1400
Fax: 515-453-1420

Deliver TO: Donald Walsh
Company: Wisconsin Lottery

From: Charles Strutt
Date: December 14, 1998
Pages: 3 (including this sheet)

FAX MEMO:

For your reference, here is a copy of the tax law changes.

TITLE 26 - INTERNAL REVENUE CODE
Subtitle A - Income Taxes
CHAPTER 1 - NORMAL TAXES AND SURTAXES
Subchapter E - Accounting Periods and Methods of Accounting
PART II - METHODS OF ACCOUNTING
Subpart B - Taxable Year for Which Items of Gross Income Included

Sec. 451. General rule for taxable year of inclusion
(a) General rule
The amount of any item of gross income shall be included in the gross income for the taxable year in which received by the taxpayer, unless, under the method of accounting used in computing taxable income, such amount is to be properly accounted for as of a different period.
(b) Special rule in case of death
. . . .
(c) Special rule for employee tips
. . . .
(d) Special rule for crop insurance proceeds or disaster payments
. . . .
(e) Special rule for proceeds from livestock sold on account of drought
. . . .
(f) Special rule for utility services
. . . .
(g) Treatment of interest on frozen deposits in certain financial institutions
. . . .
(h) SPECIAL RULE FOR CASH OPTIONS FOR RECEIPT OF QUALIFIED PRIZES.—
(1) IN GENERAL.—For purposes of this title, in the case of an individual on the cash receipts and disbursements method of accounting, a qualified prize option shall be disregarded in determining the taxable year for which any portion of the qualified prize is properly includible in gross income of the taxpayer.
(2) QUALIFIED PRIZE OPTION; QUALIFIED PRIZE.—For purposes of this subsection—
(A) IN GENERAL.—The term 'qualified prize option' means an option which—
(i) entitles an individual to receive a single cash payment in lieu of receiving a qualified prize (or remaining portion thereof), and
(ii) is exercisable not later than 60 days after such individual becomes entitled to the qualified prize.
(B) QUALIFIED PRIZE.—The term 'qualified prize' means any prize or award which—
(i) is awarded as a part of a contest, lottery, jackpot, game, or other similar arrangement,
(ii) does not relate to any past services performed by the recipient and does not require the recipient to perform any substantial future service, and

(iii) is payable over a period of at least 10 years.

(3) PARTNERSHIP, ETC.—The Secretary shall provide for the application of this subsection in the case of a partnership or other pass-through entity consisting entirely of individuals described in paragraph (1).

Notes

Subtitle C—Revenue Offsets
SEC. 5301. TAX TREATMENT OF CASH OPTION FOR QUALIFIED PRIZES.

(a) IN GENERAL.—Section 451 (relating to taxable year for which items of gross income included) is amended by adding at the end the following new subsection **[as set out above as new subsection (h)]**

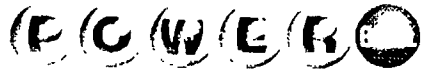
(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to any prize to which a person first becomes entitled after the date of enactment of this Act.

(2) TRANSITION RULE.—The amendment made by this section shall apply to any prize to which a person first becomes entitled on or before the date of enactment of this Act, except that in determining whether an option is a qualified prize option as defined in section 451(h)(2)(A) of the Internal Revenue Code of 1986 (as added by such amendment)—

(A) clause (ii) of such section 451(h)(2)(A) shall not apply, and

(B) such option shall be treated as a qualified prize option if it is exercisable only during all or part of the 18-month period beginning on July 1, 1999.



MULTI-STATE LOTTERY ASSOCIATION

MINUTES OF THE POWERBALL GROUP

Teleconference
December 21, 1998

In attendance were:

Nebraska	-	James E. Quinn, Chair
Kansas	-	Gregory P. Ziemak, Vice-Chair
Arizona	-	Geoffrey E. Gonsher
Connecticut	-	Ted Manno
D.C.	-	Anthony S. Cooper, by proxy to Robert Reid
Delaware	-	Wayne Lemons
Indiana	-	James F. Maguire, by proxy to Harry Murchin
Iowa	-	Edward J. Stanek
Kentucky	-	Arthur L. Gleason, Jr.
Louisiana	-	Charles R. Davis
Minnesota	-	George R. Andersen, by proxy to Dale McDonnell
Missouri	-	James R. Scroggins
Montana	-	Gerald J. LaChere
New Mexico	-	David M. Miller
Oregon	-	Chris Lyons, by proxy before the meeting
Rhode Island	-	Gerald S. Aubin
South Dakota	-	Rodger Leonard
West Virginia	-	John C. Musgrave
Wisconsin	-	Donald E. Walsh
MUSL	-	Charles Strutt

Not in attendance were Mann (FL), Jackson (ID), and Wisler (NH).

Amendments to Rules. On a motion by Davis (LA) and seconded by Gleason (KY), the Group members in attendance unanimously agreed to adopt the following changes to the **POWERBALL®** rules. The motion also directed the executive director to obtain a legal opinion of the interpretation of the tax law change (26 U.S.C. §451 (h)) and to obtain a ruling from the IRS determining the exact start date for the 60-day limitation. Miller (NM) and Gonsher (AZ) cast their votes in favor of the amended rules and left the meeting early during the discussion. Lemons (DE) left before the vote. Manno (CT) left the meeting and assigned his proxy to Aubin (RI).

Staff was also instructed to develop language for a payment election form that could be used by every member.

PB RULE 27—GAME DESCRIPTION.

27.1 Powerball is a five (5) out of forty-nine (49) plus one (1) out of forty-two (42) on-line lottery game which pays the Grand Prize, at the election of the player made in accordance with these rules~~at the time of play purchase,~~ or by a default election made in accordance with these rules, either on an annuitized pari-mutuel basis or as a cash lump sum payment of the total cash held for this prize pool on a pari-mutuel basis. Except as provided in these rules, all other prizes are paid on a set cash basis. To play Powerball, a player shall select five (5) different numbers, between one (1) and forty-nine (49) and one (1) additional number between one (1) and forty-two (42), for input into a terminal. The additional number may be the same as one of the first five numbers selected by the player. Tickets can be purchased either from a terminal operated by an agent (i.e., a clerk-activated terminal) or from a terminal operated by the player (i.e., a player-activated terminal). If purchased from an agent, the player may select a set of five numbers and one additional number by communicating the six (6) numbers to the agent, or by marking six (6) numbered squares in any one game board on a play slip and submitting the play slip to the agent or by requesting "computer pick" from the agent. The agent will then issue a ticket, via the terminal, containing the selected set or sets of numbers, each of which constitutes a game play. Tickets can be purchased from a player-activated terminal by use of a touch screen or by inserting a play slip into the machine.

PB RULE 30 PRIZE PAYMENT

30.1 Grand Prizes. Grand prizes shall be paid, at the election of the player made ~~at the time of play purchase~~ no later than 60 days after the player becomes entitled to the prize, with either a per winner annuity or cash payment. If the payment election is not made at the time of purchase and is not made by the player within 60 days after the player becomes entitled to the prize, then the prize shall be paid as an annuity prize. An election for an annuity payment made by a player before ticket purchase or by system default or design may be changed to a cash payment at the election of the player until the expiration of 60 days after the player becomes entitled to the prize. The election to take the cash payment may be made at the time of the prize claim or within 60 days after the player becomes entitled to the prize. An election made after the winner becomes entitled to the prize is final and cannot be revoked, withdrawn or otherwise changed. Shares of the Grand Prize shall be determined by dividing the cash available in the Grand Prize pool equally among all winners of the Grand Prize. Winner(s) who elect~~ed~~ a cash payment shall be paid their share(s) in a single cash payment. The annuitized option prize shall be determined by multiplying a winner's share of the Grand Prize pool by the MUSL annuity factor. The MUSL annuity factor is determined by the best total securities price obtained through a competitive bid of qualified, pre-approved brokers made after it is determined that the prize is to be paid as an annuity prize or after the expiration of 60 days after the winner becomes entitled to the prize.~~the prize win.~~ Neither MUSL nor the party lotteries shall be responsible or liable for changes in the advertised or estimated annuity prize amount and the actual amount purchased after the prize payment method is actually known to MUSL.

In certain instances announced by the Product Group, the Grand Prize shall be a guaranteed amount and shall be determined pursuant to Rule 30.5. ~~If the player fails to elect a payment method at the time of purchase, the system will automatically select the annuitized payment.~~ If individual shares of the cash held to fund an annuity is less than $250,000, the Product Group, in its sole discretion, may elect to pay the winners their share of the cash held in the Grand Prize pool. All annuitized prizes shall be paid annually in twenty-five equal payments with the initial payment being made in cash, to be followed by twenty-four payments funded by the annuity. Funds for the initial payment of an annuitized prize or the lump sum cash prize shall be made available by MUSL for payment by the Party Lottery by the fifteenth calendar day (or the next banking day if the fifteenth day is a holiday) following the drawing. If necessary, when the due date for the payment of a prize occurs before the receipt of funds in the prize pool trust sufficient to pay the prize, the transfer of funds for the payment of the full lump sum cash amount may be delayed pending receipt of funds from the party lotteries. A state may elect to make the initial payment from its own funds after validation, with notice to MUSL. In the event of the death of a lottery winner during the annuity payment period, the Product Group, in its sole discretion, upon the petition of the estate of the lottery winner (the "Estate") to the state lottery of the state in which the deceased lottery winner purchased the winning ticket, and subject to federal, state, or district applicable laws, may accelerate the payment of all of the remaining lottery proceeds to the Estate. If the Product Group makes such a determination, then securities and/or cash held to fund the deceased lottery winner's annuitized prize may be distributed to the Estate. The identification of the securities to fund the annuitized prize shall be at the sole discretion of the Product Group.

Comment. Changes made to this Rule on December 21, 1998, are intended to provide players with the advantages offered by the changes made to 26 U.S.C. §451. These rules should be interpreted in a manner that is consistent with the purposes, requirements, and restrictions of that code section.

Amended September 10, 1998.

PB RULE 32—TICKET RESPONSIBILITY.

32.1 Signature, Mark or Name. Until such time as a signature, or, if permitted by state or district law, a mark or printed name is placed upon a ticket in the area designated for the signature, mark or name, a ticket shall be owned by the bearer of the ticket. When a signature, mark or name is placed on the ticket in the place designated, the person whose signature, mark or name appears in such area shall be the owner of the ticket and shall be entitled (subject to the validation requirements in Rule 31 (Ticket Validation) and state or district law) to any prize attributable thereto.

Amended November 20, 1998.

32.2 Multiple Signatures. The manner of payment of prizes for valid winning tickets bearing multiple signatures, marks or names shall be determined by the rules of the Party Lottery making the prize payment.

Amended November 20, 1998.

32.3 Stolen Tickets. The Product Group, the MUSL and the Party Lotteries shall not be responsible for lost or stolen tickets.

Respectfully submitted,

James E. Quinn
Group Chair

State of Wisconsin
1999 – 2000 LEGISLATURE

LRB–2327/P1
ISR:.....

PRELIMINARY DRAFT – NOT READY FOR INTRODUCTION

AN ACT ...; **relating to:** allowing certain persons to elect the form of payment of a lottery prize and granting rule–making authority.

Analysis by the Legislative Reference Bureau

This bill allows lottery prize winners and other eligible persons to elect to receive payment of a lottery prize either in the form of a lump sum payment or in installments if the prize is payable over at least 10 years as determined by the lottery administrator. Persons who may make an election include a lottery ticket or lottery share holder, the estate of a deceased prize winner, the guardian of a minor eligible to receive a lottery prize or an adult member of the minor's family or a person designated by court order to receive a prize.

Under this bill, an election may be made at the time a lottery ticket or lottery share is purchased or within 60 days after a person becomes entitled to a lottery prize and may be changed if the election is made before the person becomes entitled to the lottery prize. If the election is made after a person becomes entitled to the lottery prize, the election is final and may not be revoked. If an election is not made within 60 days after a person becomes entitled to a lottery prize, the prize is paid in installments. This bill requires the department of revenue to promulgate rules establishing the procedures for an election of the form of payment of a lottery prize.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

INS. 1-1

SECTION 1. 565.02 (3) (j) of the statutes is created to read:

565.02 **(3)** (j) Establishing the procedures for a person to elect the form of payment of a lottery prize under s. 565.28.

SECTION 2. 565.28 of the statutes is created to read:

565.28 **Lottery prize payment option.** (1) ELECTION. A person entitled to receive payment of a lottery prize under s. 565.30 (1) may elect to receive payment of the lottery prize in the form of a lump sum or in installments over a period of years if the lottery prize is payable over at least 10 years. An election under this subsection shall be made in accordance with rules promulgated by the department under s. 565.02 (3) (j).

(2) TIME OF ELECTION. An election under sub. (1) may be made by a lottery ticket or lottery share purchaser at the time of purchase of a lottery ticket or lottery share or by any person entitled to receive payment of a lottery prize under s. 565.30 (1) at anytime no later than 60 days after becoming entitled to the lottery prize. A person eligible to make an election under sub. (1) may change the form of payment elected except that an election made after a person becomes entitled to a lottery prize is final and may not be revoked.

(3) DEFAULT FORM OF PAYMENT. If a person eligible to make an election under sub. (1) does not make an election within 60 days after becoming entitled to a lottery prize, the administrator shall make payment in the form of an annuity.

SECTION 3. 565.30 (1) of the statutes is amended to read:

565.30 **(1)** PAYMENT OF PRIZES. The administrator shall direct the payment of a prize, in the form elected under s. 565.28, to the holder of the winning lottery ticket or lottery share or to a person designated under sub. (2), except that a prize may be paid to another person under a court order or to the estate of a deceased prize winner.

The department, administrator, state and any contractor for materials, equipment or services of the game in which the prize is won are discharged of all liability upon payment of the prize to the holder of a winning lottery ticket or lottery share.

History: 1987 a. 119, 399; 1989 a. 31; 1989 a. 56 s. 259, 1989 a. 359; 1991 a. 269, 1993 a. 16, 481; 1995 a. 27 ss. 6981j, 6981k, 9126 (19), 1995 a. 225, 404; 1997 a. 3, 27, 35; 1997 a. 148 ss. 3 to 5; 1997 a. 191.

SECTION 4. Initial applicability.

(1) The creation of section 565.228 of the statutes ~~and~~ the treatment of section 565.30 (1) of the statutes first applies to lottery tickets or lottery shares purchased on the first day of the 4th month beginning after publication.

(END)

INS ANL

Under current law, because a lottery prize winner has the option of receiving payment of a lottery prize either in a lump sum or as an annuity, the prize winner is required to include the value of the award in gross income, even if the annuity option is exercised. Under this bill a prize winner who has the option of choosing to receive a lottery prize, in either a lump sum or as an annuity, not later than 60 days after becoming entitled to the prize, is not required to include amounts in gross income immediately if the annuity option is exercised merely by reason of having the option.

INS 2–1

SECTION 1. 71.01 (6) (m) of the statutes is amended to read:

71.01 **(6)** (m) For taxable years that begin after December 31, 1997, for natural persons and fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, "Internal Revenue Code" means the federal Internal Revenue Code as amended to December 31, 1997, excluding sections 103, 104 and 110 of P.L. 102–227, sections 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103–66 and sections 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104–188 and as amended by section 5301 of P.L. 105–277 and as indirectly affected by P.L. 99–514, P.L. 100–203, P.L. 100–647, P.L. 101–73, P.L. 101–140, P.L. 101–179, P.L. 101–239, P.L. 101–280, P.L. 101–508, P.L. 102–90, P.L. 102–227, excluding sections 103, 104 and 110 of P.L. 102–227, P.L. 102–318, P.L. 102–486, P.L. 103–66, excluding sections 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103–66, P.L. 103–296, P.L. 103–337, P.L. 103–465, P.L. 104–7, P.L. 104–117, P.L. 104–188, excluding sections 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104–188, P.L. 104–191, P.L. 104–193, P.L. 105–33 ~~and~~, P.L. 105–34 and section 5301 of P.L. 105–277. The Internal Revenue Code applies for Wisconsin purposes at the same time as for federal purposes. Amendments to the federal Internal Revenue Code enacted after

December 31, 1997, do not apply to this paragraph with respect to taxable years beginning after December 31, 1997, except that changes to the Internal Revenue Code made by section 5301 of P.L. 105–277 and changes that indirectly affect the provisions applicable to this subchapter made by section 5301 of P.L. 105–277 apply for Wisconsin purposes at the same time as for federal purposes.

History: 1987 a. 312; 1987 a. 411 ss. 6 to 8, 26, 27, 31; 1989 a. 31, 100, 336; 1991 a. 39, 269; 1993 a. 16, 112, 437; 1995 a. 27, 380, 428; 1997 a. 27, 37, 237.

INS 3–7

(2) The treatment of section 71.01 (6) (m) of the statutes first applies to a lottery prize winner who wins a lottery prize related to a lottery ticket or lottery share that is purchased on the first day of the 4th month beginning after publication.

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB–2327/P1dn
ISR:.....
cmh

March 10, 1999

Representative Townsend:

This draft allows lottery prize winners the option of choosing to receive a lottery prize as a lump sum or in installments. The federal tax statute uses the terms "single cash payment" and "annuity" while Wisconsin statutes use the terms "lump sum" and "installments". I have used the terms "lump sum" and "installments" to be consistent with the Wisconsin statutes. Is this OK?

Also, the federal law requires a person to make an election no later than 60 days after becoming entitled to the prize. This draft uses the same language to conform to the federal statute, 26 USC 451 (h). Thus, the time when a person becomes entitled to a prize under this draft will be the same as under federal law and the 60 day time period will begin at the same time.

Please review this draft carefully to make sure it reflects your intent. If you have any questions or comments, please feel free to contact me.

Ivy G. Sager–Rosenthal
Legislative Attorney
Phone: (608) 261–4455
E–mail: Ivy.Sager–Rosenthal@legis.state.wi.us

State of Wisconsin
1999 – 2000 LEGISLATURE

LRB–2327/~~P1~~ 1
ISR&MES:cmh:lp

Drafter

redraft without

PRELIMINARY DRAFT – NOT READY FOR INTRODUCTION

regen cat

1 AN ACT ***to amend*** 71.01 (6) (m) and 565.30 (1); and ***to create*** 565.02 (3) (j) and
2 565.28 of the statutes; **relating to:** allowing certain persons to elect the form
3 of payment of a lottery prize and granting rule–making authority.

Analysis by the Legislative Reference Bureau

This bill allows lottery prize winners and other eligible persons to elect to receive payment of a lottery prize either in the form of a lump sum payment or in instalments if the prize is payable over at least ten years as determined by the lottery administrator. Persons who may make an election include a lottery ticket or lottery share holder, the estate of a deceased prize winner, the guardian of a minor eligible to receive a lottery prize or an adult member of the minor's family or a person designated by court order to receive a prize.

Under this bill, an election may be made at any time ~~the time a lottery ticket or lottery share is purchased or~~ within 60 days after a person becomes entitled to a lottery prize. ~~and may be changed if the election is made before the person becomes entitled to the lottery prize. If the election is made after a person becomes entitled to the lottery prize, the election~~ Once an election is made, it is final and may not be revoked. If an election is not made within 60 days after a person becomes entitled to a lottery prize, the prize is paid in instalments. This bill requires the department of revenue to promulgate rules establishing the procedures for an election of the form of payment of a lottery prize.

~~Under current law, because a lottery prize winner has the option of receiving payment of a lottery prize either in a lump sum or as an annuity, the prize winner is required to include the value of the award in gross income, even if the annuity option is exercised.~~ Under this bill a prize winner who has the option of choosing to

receive a lottery prize, either in a lump sum or as an annuity, not later than 60 days after becoming entitled to the prize, is not required to include amounts in gross income immediately if the annuity option is exercised merely by reason of having the option.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.01 (6) (m) of the statutes is amended to read:

2 71.01 **(6)** (m) For taxable years that begin after December 31, 1997, for natural
3 persons and fiduciaries, except fiduciaries of nuclear decommissioning trust or
4 reserve funds, "Internal Revenue Code" means the federal Internal Revenue Code
5 as amended to December 31, 1997, excluding sections 103, 104 and 110 of P.L.
6 102–227, sections 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103–66 and
7 sections 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104–188, <u>and as</u>
8 <u>amended by section 5301 of P.L. 105–277</u> and as indirectly affected by P.L. 99–514,
9 P.L. 100–203, P.L. 100–647, P.L. 101–73, P.L. 101–140, P.L. 101–179, P.L. 101–239,
10 P.L. 101–280, P.L. 101–508, P.L. 102–90, P.L. 102–227, excluding sections 103, 104
11 and 110 of P.L. 102–227, P.L. 102–318, P.L. 102–486, P.L. 103–66, excluding sections
12 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103–66, P.L. 103–296, P.L.
13 103–337, P.L. 103–465, P.L. 104–7, P.L. 104–117, P.L. 104–188, excluding sections
14 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104–188, P.L. 104–191, P.L.
15 104–193, P.L. 105–33 ~~and~~, P.L. 105–34 <u>and section 5301 of P.L. 105–277</u>. The
16 Internal Revenue Code applies for Wisconsin purposes at the same time as for federal
17 purposes. Amendments to the federal Internal Revenue Code enacted after
18 December 31, 1997, do not apply to this paragraph with respect to taxable years
19 beginning after December 31, 1997<u>, except that changes to the Internal Revenue</u>

Code made by section 5301 of P.L. 105–277 and changes that indirectly affect the provisions applicable to this subchapter made by section 5301 of P.L. 105–277 apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 2. 565.02 (3) (j) of the statutes is created to read:

565.02 **(3)** (j) Establishing the procedures for a person to elect the form of payment of a lottery prize under s. 565.28.

SECTION 3. 565.28 of the statutes is created to read:

565.28 **Lottery prize payment option. (1)** ELECTION. A person entitled to receive payment of a lottery prize under s. 565.30 (1) may elect to receive payment of the lottery prize in the form of a lump sum or in instalments over a period of years if the lottery prize is payable over at least 10 years. An election under this subsection shall be made in accordance with rules promulgated by the department under s. 565.02 (3) (j).

(2) TIME OF ELECTION. An election under sub. (1) may be made ~~by a lottery ticket or lottery share purchaser at the time of purchase of a lottery ticket or lottery share or~~ by any person entitled to receive payment of a lottery prize under s. 565.30 (1) at anytime no later than 60 days after becoming entitled to the lottery prize. ~~A person eligible to make an election under sub. (1) may change the form of payment elected except that an~~ An election made under sub. (1) ~~after a person becomes entitled to a lottery prize~~ is final and may not be revoked.

(3) DEFAULT FORM OF PAYMENT. If a person eligible to make an election under sub. (1) does not make an election within 60 days after becoming entitled to a lottery prize, the administrator shall make payment in the form of an annuity.

SECTION 4. 565.30 (1) of the statutes is amended to read:

565.30 (1) PAYMENT OF PRIZES. The administrator shall direct the payment of a prize, in the form elected under s. 565.28, to the holder of the winning lottery ticket or lottery share or to a person designated under sub. (2), except that a prize may be paid to another person under a court order or to the estate of a deceased prize winner. The department, administrator, state and any contractor for materials, equipment or services of the game in which the prize is won are discharged of all liability upon payment of the prize to the holder of a winning lottery ticket or lottery share.

SECTION 5. Initial applicability.

(1) The treatment of section 565.30 (1) of the statutes and the creation of section 565.28 of the statutes first applies to lottery prizes won ~~tickets or lottery shares purchased~~ on the ~~first day of the 4th month beginning~~ after publication.

keep

(2) The treatment of section 71.01 (6) (m) of the statutes first applies to a lottery prize winner who wins a lottery prize ~~related to a lottery ticket or lottery share that is purchased~~ on the ~~first day of the 4th month beginning~~ after publication.

(END)

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB–2327/1dn
ISR:...:...
cmh

March 25, 1999

Representative Townsend:

This bill allows lottery prize winners to elect whether to receive payment of a lottery prize in the form of a single cash payment or in instalments only after they become entitled to the prize. Once an election is made, the election is final and may not be revoked. Is this OK?

This bill applies to lottery prizes won on the first day after publication. This is to avoid any confusion that may arise in determining when a lottery prize winner may make an election and whether a prize winner is entitled to the specific tax treatment. For example, without this provision, it would be unclear whether a lottery prize won 30 days prior to publication is entitled to the specific tax treatment and whether the lottery prize winner has 30 days or 60 days to make the payment election. The initial applicability provision ensures that this confusion will not arise.

Please review this draft carefully to make sure it reflects your intent. If you have any questions or comments, please do not hesitate to contact me.

Ivy G. Sager–Rosenthal
Legislative Attorney
Phone: (608) 261–4455
E–mail: Ivy.Sager–Rosenthal@legis.state.wi.us

-2327

*Tom Ourada 3/25/99 2:30

- Section 3 (2)
  - only allow election to be made if purge is won

- don't want 4 month initial appl.
  - can do in 30 days
  - why?

- change analysis to show annuity tax is pd. over time

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB–2327/1dn
ISR:cmh:jf

March 31, 1999

Representative Townsend:

This bill allows lottery prize winners to elect whether to receive payment of a lottery prize in the form of a single cash payment or in instalments only after they become entitled to the prize. Once an election is made, the election is final and may not be revoked. Is this OK?

This first bill applies to lottery prizes won on the day after publication. This is to avoid any confusion that may arise in determining when a lottery prize winner may make an election and whether a prize winner is entitled to the specific tax treatment. For example, without this provision, it would be unclear whether a lottery prize won 30 days prior to publication is entitled to the specific tax treatment and whether the lottery prize winner has 30 days or 60 days to make the payment election. The initial applicability provision ensures that this confusion will not arise.

Please review this draft carefully to make sure it reflects your intent. If you have any questions or comments, please do not hesitate to contact me.

Ivy G. Sager–Rosenthal
Legislative Attorney
Phone: (608) 261–4455
E–mail: Ivy.Sager–Rosenthal@legis.state.wi.us

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB–2327/1dn
ISR:cmh:jf

March 31, 1999

Representative Townsend:

This bill allows lottery prize winners to elect whether to receive payment of a lottery prize in the form of a single cash payment or in instalments only after they become entitled to the prize. Once an election is made, the election is final and may not be revoked. Is this OK?

This bill first applies to lottery prizes won on the day after publication. This is to avoid any confusion that may arise in determining when a lottery prize winner may make an election and whether a prize winner is entitled to the specific tax treatment. For example, without this provision, it would be unclear whether a lottery prize won 30 days prior to publication is entitled to the specific tax treatment and whether the lottery prize winner has 30 days or 60 days to make the payment election. The initial applicability provision ensures that this confusion will not arise.

Please review this draft carefully to make sure it reflects your intent. If you have any questions or comments, please do not hesitate to contact me.

Ivy G. Sager–Rosenthal
Legislative Attorney
Phone: (608) 261–4455
E–mail: Ivy.Sager–Rosenthal@legis.state.wi.us

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB–2327/P1dn
ISR:cmh:lp

March 10, 1999

Representative Townsend:

This draft allows lottery prize winners the option of choosing to receive a lottery prize as a lump sum or in instalments. The federal tax statute uses the terms "single cash payment" and "annuity" while Wisconsin statutes use the terms "lump sum" and "instalments". I have used the terms "lump sum" and "instalments" to be consistent with the Wisconsin statutes. Is this OK?

Also, the federal law requires a person to make an election no later than 60 days after becoming entitled to the prize. This draft uses the same language to conform to the federal statute, 26 USC 451 (h). Thus, the time when a person becomes entitled to a prize under this draft will be the same as under federal law and the 60 day time period will begin at the same time.

Please review this draft carefully to make sure it reflects your intent. If you have any questions or comments, please feel free to contact me.

Ivy G. Sager–Rosenthal
Legislative Attorney
Phone: (608) 261–4455
E–mail: Ivy.Sager–Rosenthal@legis.state.wi.us

-2327

* Tom @ DOR 7/12/99, 9:30 am

- Please change Int'l App (2)
- want this to take effect immediately AND apply to everyone that fed law applies to.

- fed law gives winners who won prior to 10/20/98 18 mos. to change or choose method of payment.

- multi-state lottery says that need to allow these peoples (winners prior to 10/20/98) to have chance to choose

- realize that winners after 10/20/98 and before publication date will not have choice - this is OK

State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-2327/1
ISR&MES:cmh

1999 BILL

AN ACT *to amend* 71.01 (6) (m) and 565.30 (1); and *to create* 565.02 (3) (j) and 565.28 of the statutes; **relating to:** allowing certain persons to elect the form of payment of a lottery prize and granting rule–making authority.

Analysis by the Legislative Reference Bureau

This bill allows lottery prize winners and other eligible persons to elect to receive payment of a lottery prize either in the form of a lump sum payment or in instalments if the prize is payable over at least ten years as determined by the lottery administrator. Persons who may make an election include a lottery ticket or lottery share holder, the estate of a deceased prize winner, the guardian of a minor eligible to receive a lottery prize or an adult member of the minor's family or a person designated by court order to receive a prize.

Under this bill, an election may be made at any time within 60 days after a person becomes entitled to a lottery prize. Once an election is made, it is final and may not be revoked. If an election is not made within 60 days after a person becomes entitled to a lottery prize, the prize is paid in instalments. This bill requires the department of revenue to promulgate rules establishing the procedures for an election of the form of payment of a lottery prize.

Under this bill a prize winner who has the option of choosing to receive a lottery prize, either in a lump sum or as an annuity, not later than 60 days after becoming entitled to the prize, is not required to include amounts in gross income immediately if the annuity option is exercised merely by reason of having the option. The bill first applies, retroactively, to a lottery prize winner who wins on October 20, 1998.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.01 (6) (m) of the statutes is amended to read:

2 71.01 **(6)** (m) For taxable years that begin after December 31, 1997, for natural
3 persons and fiduciaries, except fiduciaries of nuclear decommissioning trust or
4 reserve funds, "Internal Revenue Code" means the federal Internal Revenue Code
5 as amended to December 31, 1997, excluding sections 103, 104 and 110 of P.L.
6 102–227, sections 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103–66 and
7 sections 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104–188, <u>and as</u>
8 <u>amended by section 5301 of P.L. 105–277</u> and as indirectly affected by P.L. 99–514,
9 P.L. 100–203, P.L. 100–647, P.L. 101–73, P.L. 101–140, P.L. 101–179, P.L. 101–239,
10 P.L. 101–280, P.L. 101–508, P.L. 102–90, P.L. 102–227, excluding sections 103, 104
11 and 110 of P.L. 102–227, P.L. 102–318, P.L. 102–486, P.L. 103–66, excluding sections
12 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103–66, P.L. 103–296, P.L.
13 103–337, P.L. 103–465, P.L. 104–7, P.L. 104–117, P.L. 104–188, excluding sections
14 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104–188, P.L. 104–191, P.L.
15 104–193, P.L. 105–33 ~~and~~, P.L. 105–34 <u>and section 5301 of P.L. 105–277</u>. The
16 Internal Revenue Code applies for Wisconsin purposes at the same time as for federal
17 purposes. Amendments to the federal Internal Revenue Code enacted after
18 December 31, 1997, do not apply to this paragraph with respect to taxable years
19 beginning after December 31, 1997<u>, except that changes to the Internal Revenue</u>
20 <u>Code made by section 5301 of P.L. 105–277 and changes that indirectly affect the</u>

provisions applicable to this subchapter made by section 5301 of P.L. 105–277 apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 2. 565.02 (3) (j) of the statutes is created to read:

565.02 **(3)** (j) Establishing the procedures for a person to elect the form of payment of a lottery prize under s. 565.28.

SECTION 3. 565.28 of the statutes is created to read:

565.28 **Lottery prize payment option. (1)** ELECTION. A person entitled to receive payment of a lottery prize under s. 565.30 (1) may elect to receive payment of the lottery prize in the form of a lump sum or in instalments over a period of years if the lottery prize is payable over at least 10 years. An election under this subsection shall be made in accordance with rules promulgated by the department under s. 565.02 (3) (j).

(2) TIME OF ELECTION. An election under sub. (1) may be made by any person entitled to receive payment of a lottery prize under s. 565.30 (1) at any time no later than 60 days after becoming entitled to the lottery prize. An election made under sub. (1) is final and may not be revoked.

(3) DEFAULT FORM OF PAYMENT. If a person eligible to make an election under sub. (1) does not make an election within 60 days after becoming entitled to a lottery prize, the administrator shall make payment in the form of an annuity.

SECTION 4. 565.30 (1) of the statutes is amended to read:

565.30 **(1)** PAYMENT OF PRIZES. The administrator shall direct the payment of a prize, in the form elected under s. 565.28, to the holder of the winning lottery ticket or lottery share or to a person designated under sub. (2), except that a prize may be paid to another person under a court order or to the estate of a deceased prize winner. The department, administrator, state and any contractor for materials, equipment

or services of the game in which the prize is won are discharged of all liability upon payment of the prize to the holder of a winning lottery ticket or lottery share.

SECTION 5. Initial applicability.

(1) The treatment of section 565.30 (1) of the statutes and the creation of section 565.28 of the statutes first applies to lottery prizes won on the day after publication.

(2) The treatment of section 71.01 (6) (m) of the statutes first applies retroactively, to a lottery prize winner who wins a lottery prize on October 20, 1998 ~~the day after publication~~.

(END)

Instructions from Tom Ourada for /3 4/15/99

STATE OF WISCONSIN – LEGISLATIVE REFERENCE BUREAU – LEGAL SECTION
(608-266-3561)

group who won before 10/20/98
they have 18 months to change
their mind on 7/1/99 --
from then on, people have 60 days
to change their minds

must make clear that, starting on
7/1/99 people who won before
10/20/98

there's a call for DOR to promulgate
rules

remove init app that relates
to s. 71.01 (6) (m

*Remove rules req. in Sect. 2 – 3/16/99 2:00

State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-2327/2
ISR&MES:cmh:jf

1999 BILL

AN ACT ~~*to amend*~~ 71.01 (6) (m) and 565.30 (1); and ***to create*** 565.02 (3) (j) and 565.28 of the statutes; **relating to:** allowing certain persons to elect the form of payment of a lottery prize ~~and granting rule-making authority.~~

Analysis by the Legislative Reference Bureau

This bill allows lottery prize winners and other eligible persons to elect to receive payment of a lottery prize either in the form of a lump sum payment or in instalments if the prize is payable over at least ten years as determined by the lottery administrator. Persons who may make an election include a lottery ticket or lottery share holder, the estate of a deceased prize winner, the guardian of a minor eligible to receive a lottery prize or an adult member of the minor's family or a person designated by court order to receive a prize.

Under this bill, an election may be made at any time within 60 days after a person becomes entitled to a lottery prize. Once an election is made, it is final and may not be revoked. If an election is not made within 60 days after a person becomes entitled to a lottery prize, the prize is paid in instalments. ~~This bill requires the department of revenue to promulgate rules establishing the procedures for an election of the form of payment of a lottery prize.~~

Under this bill a prize winner who has the option of choosing to receive a lottery prize, either in a lump sum or as an annuity, not later than 60 days after becoming entitled to the prize, is not required to include amounts in gross income immediately if the annuity option is exercised merely by reason of having the option. ~~The bill first applies, retroactively, to a lottery prize winner who wins on October 20, 1998.~~

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.01 (6) (m) of the statutes is amended to read:

2 71.01 **(6)** (m) For taxable years that begin after December 31, 1997, for natural
3 persons and fiduciaries, except fiduciaries of nuclear decommissioning trust or
4 reserve funds, "Internal Revenue Code" means the federal Internal Revenue Code
5 as amended to December 31, 1997, excluding sections 103, 104 and 110 of P.L.
6 102–227, sections 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103–66 and
7 sections 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104–188, <u>and as</u>
8 <u>amended by section 5301 of P.L. 105–277</u> and as indirectly affected by P.L. 99–514,
9 P.L. 100–203, P.L. 100–647, P.L. 101–73, P.L. 101–140, P.L. 101–179, P.L. 101–239,
10 P.L. 101–280, P.L. 101–508, P.L. 102–90, P.L. 102–227, excluding sections 103, 104
11 and 110 of P.L. 102–227, P.L. 102–318, P.L. 102–486, P.L. 103–66, excluding sections
12 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103–66, P.L. 103–296, P.L.
13 103–337, P.L. 103–465, P.L. 104–7, P.L. 104–117, P.L. 104–188, excluding sections
14 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104–188, P.L. 104–191, P.L.
15 104–193, P.L. 105–33 ~~and~~, P.L. 105–34 <u>and section 5301 of P.L. 105–277</u>. The
16 Internal Revenue Code applies for Wisconsin purposes at the same time as for federal
17 purposes. Amendments to the federal Internal Revenue Code enacted after
18 December 31, 1997, do not apply to this paragraph with respect to taxable years
19 beginning after December 31, 1997<u>, except that changes to the Internal Revenue</u>
20 <u>Code made by section 5301 of P.L. 105–277 and changes that indirectly affect the</u>

provisions applicable to this subchapter made by section 5301 of P.L. 105–277 apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 2. 565.02 (3) (j) of the statutes is created to read:

565.02 **(3)** (j) Establishing the procedures for a person to elect the form of payment of a lottery prize under s. 565.28.

SECTION 3. 565.28 of the statutes is created to read:

565.28 Lottery prize payment option. (1) ELECTION. A person entitled to receive payment of a lottery prize under s. 565.30 (1) may elect to receive payment of the lottery prize in the form of a lump sum or in instalments over a period of years if the lottery prize is payable over at least 10 years. An election under this subsection shall be made in accordance with rules promulgated by the department under s. 565.02 (3) (j).

(2) TIME OF ELECTION. An election under sub. (1) may be made by any person entitled to receive payment of a lottery prize under s. 565.30 (1) at any time no later than 60 days after becoming entitled to the lottery prize. An election made under sub. (1) is final and may not be revoked.

(3) DEFAULT FORM OF PAYMENT. If a person eligible to make an election under sub. (1) does not make an election within 60 days after becoming entitled to a lottery prize, the administrator shall make payment in the form of an annuity.

SECTION 4. 565.30 (1) of the statutes is amended to read:

565.30 **(1)** PAYMENT OF PRIZES. The administrator shall direct the payment of a prize, in the form elected under s. 565.28, to the holder of the winning lottery ticket or lottery share or to a person designated under sub. (2), except that a prize may be paid to another person under a court order or to the estate of a deceased prize winner. The department, administrator, state and any contractor for materials, equipment

or services of the game in which the prize is won are discharged of all liability upon payment of the prize to the holder of a winning lottery ticket or lottery share.

SECTION 5. Initial applicability.

(1) The treatment of section 565.30 (1) of the statutes and the creation of section 565.28 of the statutes first ~~applies~~ apply to lottery prizes won on the day after publication.

(2) ~~The treatment of section 71.01 (6) (m) of the statutes~~ first applies, retroactively, to ~~a lottery~~ prize winner who wins a lottery prize ~~on October~~ 20, 1998.

(END)

— 2327/1

-DOR

* Tom Omada 4/27/99 10:55 am
- need to include in lang. that people who ~~those~~ win prior to 10/21/98 have 18 mos. from 7/1/99 to change form of payment
- this to conform to fed. law

-DOR

* Carol Held - 6-5467 4/27/99 2:00 p.m.
- people who win ~~prior to~~ on or after 10/21/99 have 18 mos to change payment
- no default
- once change made it is final & no revocation

* Carol Held 4/28/99 8:30 am.
- ~~applies~~ 10/21/99 election to people who picked annuity and are still receiving $.
- intent is to give people who chose annuity the option to choose lump sum.

1999 BILL

AN ACT ***to amend*** 71.01 (6) (m) and 565.30 (1); and ***to create*** 565.28 of the statutes; **relating to:** allowing certain persons to elect the form of payment of a lottery prize.

Analysis by the Legislative Reference Bureau

This bill allows persons who become eligible to receive payment of a lottery prize on or after the effective date of this bill to elect to receive payment of a lottery prize either in the form of a lump–sum payment or in instalments if the prize is payable over at least ten years as determined by the lottery administrator. Under current law persons eligible to receive payment of a lottery prize include a lottery ticket or lottery share holder, the estate of a deceased prize winner, the guardian of a minor eligible to receive a lottery prize or an adult member of the minor's family or a person designated by court order to receive a prize.

Under this bill, an election may be made at any time within 60 days after a person becomes entitled to a lottery prize. Once an election is made, it is final and may not be revoked. If an election is not made within 60 days after a person becomes entitled to a lottery prize, the prize is paid in instalments.

Under this bill a prize winner who has the option of choosing to receive a lottery prize, either in a lump sum or as an annuity, not later than 60 days after becoming entitled to the prize, or who has the option to change the form of payment of a lottery prize no earlier than July 1, 1999, and no later than January 1, 2001, is not required to include amounts in gross income immediately merely by reason of having the option.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.01 (6) (m) of the statutes is amended to read:

2 71.01 **(6)** (m) For taxable years that begin after December 31, 1997, for natural
3 persons and fiduciaries, except fiduciaries of nuclear decommissioning trust or
4 reserve funds, "Internal Revenue Code" means the federal Internal Revenue Code
5 as amended to December 31, 1997, excluding sections 103, 104 and 110 of P.L.
6 102–227, sections 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103–66 and
7 sections 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104–188, <u>and as</u>
8 <u>amended by section 5301 of P.L. 105–277</u> and as indirectly affected by P.L. 99–514,
9 P.L. 100–203, P.L. 100–647, P.L. 101–73, P.L. 101–140, P.L. 101–179, P.L. 101–239,
10 P.L. 101–280, P.L. 101–508, P.L. 102–90, P.L. 102–227, excluding sections 103, 104
11 and 110 of P.L. 102–227, P.L. 102–318, P.L. 102–486, P.L. 103–66, excluding sections
12 13113, 13150 (d), 13171 (d), 13174 and 13203 (d) of P.L. 103–66, P.L. 103–296, P.L.
13 103–337, P.L. 103–465, P.L. 104–7, P.L. 104–117, P.L. 104–188, excluding sections
14 1123 (b), 1202 (c), 1204 (f), 1311 and 1605 (d) of P.L. 104–188, P.L. 104–191, P.L.
15 104–193, P.L. 105–33 ~~and~~, P.L. 105–34 <u>and section 5301 of P.L. 105–277</u>. The
16 Internal Revenue Code applies for Wisconsin purposes at the same time as for federal
17 purposes. Amendments to the federal Internal Revenue Code enacted after
18 December 31, 1997, do not apply to this paragraph with respect to taxable years
19 beginning after December 31, 1997<u>, except that changes to the Internal Revenue</u>
20 <u>Code made by section 5301 of P.L. 105–277 and changes that indirectly affect the</u>

provisions applicable to this subchapter made by section 5301 of P.L. 105–277 apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 2. 565.28 of the statutes is created to read:

565.28 Lottery prize payment option. (1) ~~ELECTION.~~ (a) A person who becomes entitled to receive payment of a lottery prize under s. 565.30 (1) may elect to receive payment of the lottery prize in the form of a lump sum or in instalments over a period of years if the lottery prize is payable over at least 10 years.

~~(2)~~ (b) ~~TIME OF ELECTION. An election under sub. (1) may be made by any person~~ who chooses to make an election under par. (a) shall make the election ~~entitled to receive payment of a lottery prize under s. 565.30 (1) at any time~~ no later than 60 days after becoming entitled to the lottery prize. An election made under ~~sub. (1)~~ par. (a) is final and may not be revoked.

~~(3)~~ (c) ~~DEFAULT FORM OF PAYMENT.~~ If a person eligible to make an election under ~~sub. (1)~~ par. (a) does not make an election within 60 days after becoming entitled to a lottery prize, the administrator shall make payment in the form of an annuity.

Insert 3-14

SECTION 3. 565.30 (1) of the statutes is amended to read:

565.30 **(1)** PAYMENT OF PRIZES. The administrator shall direct the payment of a prize, in the form elected under s. 565.28 if applicable, to the holder of the winning lottery ticket or lottery share or to a person designated under sub. (2), except that a prize may be paid to another person under a court order or to the estate of a deceased prize winner. The department, administrator, state and any contractor for materials, equipment or services of the game in which the prize is won are discharged of all liability upon payment of the prize to the holder of a winning lottery ticket or lottery share.

~~**SECTION 4. Initial applicability.**~~

on or after the effective date of this paragraph [revisor inserts date]

1 (1) The treatment of section 565.30 (1) of the statutes and the creation of section
2 565.28 of the statutes first apply to lottery prizes won on the day after publication.
3 (END)

MITTAL FORM

LEGISLATIVE REFERENCE BUREAU
Legal Section Telephone: 266-3561
5th Floor, 100 N. Hamilton Street

The attached draft is submitted for your inspection. Please check each part carefully, proofread each word, and **sign** on the appropriate line(s) below.

Date: 4/28/99

To: Representative Townsend

Relating to LRB drafting number: LRB-2327

Topic
Allow lottery winners 60 days to decide how they want distribution, make default annuity unless elect lump sum

Subject(s)
Gambling - lottery, Tax - individual income

1. **JACKET** the draft for introduction _____

   in the **Senate** ____ or the **Assembly** X (check only one). Only the requester under whose name the drafting request is entered in the LRB's drafting records may authorize the draft to be submitted. Please allow one day for the preparation of the required copies.

2. **REDRAFT.** See the changes indicated or attached _____.

   A revised draft will be submitted for your approval with changes incorporated.

3. Obtain **FISCAL ESTIMATE NOW**, prior to introduction _____.

   If the analysis indicates that a fiscal estimate is required because the proposal makes an appropriation or increases or decreases existing appropriations or state or general local government fiscal liability or revenues, you have the option to request the fiscal estimate prior to introduction. If you choose to introduce the proposal without the fiscal estimate, the fiscal estimate will be requested automatically upon introduction. It takes about 10 days to obtain a fiscal estimate. Requesting the fiscal estimate prior to introduction retains your flexibility for possible redrafting of the proposal.

Done 04-30-99 gmB

If you have any questions regarding the above procedures, please call 266-3561. If you have any questions relating to the attached draft, please feel free to call me.

Ivy G. Sager-Rosenthal, Legislative Attorney
Telephone: (608) 261-4455