



**ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO 1997 ASSEMBLY BILL 729**

March 18, 1998 - Offered by Representatives KAUFERT and HUBLER.

1 **AN ACT** *to renumber and amend* 565.30 (5m) and 565.37 (5r); *to amend* 71.04
2 (1) (a), 71.04 (9), 71.23 (1), 71.23 (2), 71.25 (5) (b), 71.26 (1) (a), 71.362 (1), 71.362
3 (2), 71.43 (1), 71.43 (2), 71.45 (1), 71.46 (3), 71.67 (4) (a) and 565.30 (5); *to repeal*
4 *and recreate* 565.30 (5) and 565.30 (6); and *to create* 71.45 (2) (a) 15., 71.45
5 (3r), 565.02 (2) (e), 565.30 (5m) (b), 565.30 (5t) and 565.37 (5r) (b) of the statutes;
6 **relating to:** the assignment of lottery prizes, taxation of persons that buy or
7 sell lottery tickets and granting rule-making authority.

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

8 **SECTION 1.** 71.04 (1) (a) of the statutes, as affected by 1997 Wisconsin Act 27,
9 is amended to read:

10 71.04 (1) (a) All income or loss of resident individuals and resident estates and
11 trusts shall follow the residence of the individual, estate or trust. Income or loss of
12 nonresident individuals and nonresident estates and trusts from business, not

1 requiring apportionment under sub. (4), (10) or (11), shall follow the situs of the
2 business from which derived, except that all income that is realized from the
3 purchase and subsequent sale or redemption of lottery prizes if the winning tickets
4 were originally bought in Wisconsin shall be allocated to this state. All items of
5 income, loss and deductions of nonresident individuals and nonresident estates and
6 trusts derived from a tax-option corporation not requiring apportionment under
7 sub. (9) shall follow the situs of the business of the corporation from which derived,
8 except that all income that is realized from the purchase and subsequent sale or
9 redemption of lottery prizes if the winning tickets were originally bought in
10 Wisconsin shall be allocated to this state. Income or loss of nonresident individuals
11 and nonresident estates and trusts derived from rentals and royalties from real
12 estate or tangible personal property, or from the operation of any farm, mine or
13 quarry, or from the sale of real property or tangible personal property shall follow the
14 situs of the property from which derived. Income from personal services of
15 nonresident individuals, including income from professions, shall follow the situs of
16 the services. A nonresident limited partner's distributive share of partnership
17 income shall follow the situs of the business, except that all income that is realized
18 from the purchase and subsequent sale or redemption of lottery prizes if the winning
19 tickets were originally bought in Wisconsin shall be allocated to this state. A
20 nonresident limited liability company member's distributive share of limited
21 liability company income shall follow the situs of the business, except that all income
22 that is realized from the purchase and subsequent sale or redemption of lottery
23 prizes if the winning tickets were originally bought in Wisconsin shall be allocated
24 to this state. Income of nonresident individuals, estates and trusts from the state
25 lottery under ch. 565 is taxable by this state. Income of nonresident individuals,

1 estates and trusts from any multijurisdictional lottery under ch. 565 is taxable by
2 this state, but only if the winning lottery ticket or lottery share was purchased from
3 a retailer, as defined in s. 565.01 (6), located in this state or from the department.
4 Income of nonresident individuals, nonresident trusts and nonresident estates from
5 pari-mutuel winnings or purses under ch. 562 is taxable by this state. All other
6 income or loss of nonresident individuals and nonresident estates and trusts,
7 including income or loss derived from land contracts, mortgages, stocks, bonds and
8 securities or from the sale of similar intangible personal property, shall follow the
9 residence of such persons, except as provided in par. (b) and sub. (9), except that all
10 income that is realized from the purchase and subsequent sale or redemption of
11 lottery prizes if the winning tickets were originally bought in Wisconsin shall be
12 allocated to this state.

13 **SECTION 2.** 71.04 (9) of the statutes is amended to read:

14 71.04 (9) NONRESIDENT INCOME FROM MULTISTATE TAX-OPTION CORPORATION.
15 Nonresident individuals and nonresident estates and trusts deriving income from a
16 tax-option corporation which is engaged in business within and without this state
17 shall be taxed only on the income of the corporation derived from business transacted
18 and property located in this state and losses and other items of the corporation
19 deductible by such shareholders shall be limited to their proportionate share of the
20 Wisconsin loss or other item, except that all income that is realized from the purchase
21 and subsequent sale or redemption of lottery prizes if the winning tickets were
22 originally bought in Wisconsin shall be allocated to this state. For purposes of this
23 subsection, all intangible income of tax-option corporations passed through to
24 shareholders is business income that follows the situs of the business, except that all
25 income that is realized from the purchase and subsequent sale or redemption of

1 lottery prizes if the winning tickets were originally bought in Wisconsin shall be
2 allocated to this state.

3 **SECTION 3.** 71.23 (1) of the statutes is amended to read:

4 71.23 (1) INCOME TAX. For the purpose of raising revenue for the state and the
5 counties, cities, villages and towns, there shall be assessed, levied, collected and paid
6 a tax as provided under this chapter on all Wisconsin net incomes of corporations
7 which are not subject to the franchise tax under sub. (2) and which own property
8 within this state ~~or~~; whose business within this state during the taxable year, except
9 as provided under sub. (3), consists exclusively of foreign commerce, interstate
10 commerce, or both, or that buy or sell lottery prizes if the winning tickets were
11 originally bought in Wisconsin; except as exempted under s. 71.26 (1). This section
12 shall not be construed to prevent or affect the correction of errors or omissions in the
13 assessments of income for former years under s. 71.74 (1) and (2).

14 **SECTION 4.** 71.23 (2) of the statutes is amended to read:

15 71.23 (2) FRANCHISE TAX. For the privilege of exercising its franchise, buying
16 or selling lottery prizes if the winning tickets were originally bought in Wisconsin or
17 doing business in this state in a corporate capacity, except as provided under sub. (3),
18 every domestic or foreign corporation, except corporations specified in s. 71.26 (1),
19 and every nuclear decommissioning trust or reserve fund shall annually pay a
20 franchise tax according to or measured by its entire Wisconsin net income of the
21 preceding taxable year at the rate set forth in s. 71.27 (2). In addition, except as
22 provided in sub. (3) and s. 71.26 (1), a corporation that ceases doing business in this
23 state and a nuclear decommissioning trust or reserve fund that is terminated shall
24 pay a special franchise tax according to or measured by its entire Wisconsin net
25 income for the taxable year during which the corporation ceases doing business in

1 this state or the nuclear decommissioning trust or reserve fund is terminated at the
2 rates under s. 71.27 (2). Every corporation organized under the laws of this state
3 shall be deemed to be residing within this state for the purposes of this franchise tax.
4 All provisions of this chapter and ch. 73 relating to income taxation of corporations
5 shall apply to franchise taxes imposed under this subsection, unless the context
6 requires otherwise. The tax imposed by this subsection on national banking
7 associations shall be in lieu of all taxes imposed by this state on national banking
8 associations to the extent it is not permissible to tax such associations under federal
9 law.

10 **SECTION 5.** 71.25 (5) (b) of the statutes is amended to read:

11 71.25 (5) (b) *Nonapportionable income.* 1. Income, gain or loss from the sale
12 of nonbusiness real property or nonbusiness tangible personal property, rental of
13 nonbusiness real property or nonbusiness tangible personal property and royalties
14 from nonbusiness real property or nonbusiness tangible personal property are
15 nonapportionable and shall be allocated to the situs of the property, except that all
16 income that is realized from the purchase and subsequent sale or redemption of
17 lottery prizes if the winning tickets were originally bought in Wisconsin shall be
18 allocated to this state.

19 2. All income, gain or loss from intangible property that is earned by a personal
20 holding company, as defined in section 542 of the internal revenue code, as amended
21 to December 31, 1974, shall be allocated to the residence of the taxpayer, except that
22 all income that is realized from the purchase and subsequent sale or redemption of
23 lottery prizes if the winning tickets were originally bought in Wisconsin shall be
24 allocated to this state.

25 **SECTION 6.** 71.26 (1) (a) of the statutes is amended to read:

1 71.26 (1) (a) *Certain corporations.* Income of corporations organized under ch.
2 185, except income of a cooperative sickness care association organized under s.
3 185.981, or of a service insurance corporation organized under ch. 613, that is derived
4 from a health maintenance organization as defined in s. 609.01 (2) or a limited
5 service health organization as defined in s. 609.01 (3), or operating under subch. I
6 of ch. 616 which are bona fide cooperatives operated without pecuniary profit to any
7 shareholder or member, or operated on a cooperative plan pursuant to which they
8 determine and distribute their proceeds in substantial compliance with s. 185.45,
9 and the income, except the unrelated business taxable income as defined in section
10 512 of the internal revenue code and except income that is derived from a health
11 maintenance organization as defined in s. 609.01 (2) or a limited service health
12 organization as defined in s. 609.01 (3), of all religious, scientific, educational,
13 benevolent or other corporations or associations of individuals not organized or
14 conducted for pecuniary profit. This paragraph does not apply to the income of
15 savings banks, mutual loan corporations or savings and loan associations. This
16 paragraph does not apply to income that is realized from the purchase and
17 subsequent sale or redemption of lottery prizes if the winning tickets were originally
18 bought in Wisconsin. This paragraph applies to the income of credit unions except
19 to the income of any credit union that is derived from public deposits for any taxable
20 year in which the credit union is approved as a public depository under ch. 34 and
21 acts as a depository of state or local funds under s. 186.113 (20). For purposes of this
22 paragraph, the income of a credit union that is derived from public deposits is the
23 product of the credit union's gross annual income for the taxable year multiplied by
24 a fraction, the numerator of which is the average monthly balance of public deposits

1 in the credit union during the taxable year, and the denominator of which is the
2 average monthly balance of all deposits in the credit union during the taxable year.

3 **SECTION 7.** 71.362 (1) of the statutes is amended to read:

4 71.362 (1) All tax-option items of nonresident individuals, nonresident estates
5 and nonresident trusts derived from a tax-option corporation not requiring
6 apportionment under sub. (2) shall follow the situs of the business of the corporation
7 from which they are derived, except that all income that is realized from the purchase
8 and subsequent sale or redemption of lottery prizes if the winning tickets were
9 originally bought in Wisconsin shall be allocated to this state.

10 **SECTION 8.** 71.362 (2) of the statutes is amended to read:

11 71.362 (2) Nonresident individuals, nonresident estates and nonresident
12 trusts deriving income from a tax-option corporation which is engaged in business
13 within and without this state shall be taxed only on the income of the corporation
14 derived from business transacted and property located in this state and losses and
15 other items of the corporation deductible by such shareholders shall be limited to
16 their proportionate share of the Wisconsin loss or other item, except that all income
17 that is realized from the purchase and subsequent sale or redemption of lottery
18 prizes if the winning tickets were originally bought in Wisconsin shall be allocated
19 to this state. For purposes of this subsection, all intangible income of tax-option
20 corporations passed through to shareholders is business income that follows the
21 situs of the business, except that all income that is realized from the purchase and
22 subsequent sale or redemption of lottery prizes if the winning tickets were originally
23 bought in Wisconsin shall be allocated to this state.

24 **SECTION 9.** 71.43 (1) of the statutes is amended to read:

1 71.43 (1) INCOME TAX. For the purpose of raising revenue for the state and the
2 counties, cities, villages and towns, there shall be assessed, levied, collected and paid
3 a tax as provided under this chapter on all Wisconsin net incomes of corporations
4 which are not subject to the franchise tax under sub. (2) and which own property
5 within this state or whose business within this state during the taxable year, except
6 as provided under s. 71.23 (3), consists exclusively of foreign commerce, interstate
7 commerce, or both, or that buy or sell lottery prizes if the winning tickets were
8 originally bought in Wisconsin; except as exempted under ss. 71.26 (1) and 71.45 (1).
9 This section shall not be construed to prevent or affect the correction of errors or
10 omissions in the assessments of income for former years under s. 71.74 (1) and (2).

11 **SECTION 10.** 71.43 (2) of the statutes is amended to read:

12 71.43 (2) FRANCHISE TAX ON CORPORATIONS. For the privilege of exercising its
13 franchise, buying or selling lottery prizes if the winning tickets were originally
14 bought in Wisconsin or doing business in this state in a corporate capacity, except as
15 provided under s. 71.23 (3), every domestic or foreign corporation, except
16 corporations specified in ss. 71.26 (1) and 71.45 (1), shall annually pay a franchise
17 tax according to or measured by its entire Wisconsin net income of the preceding
18 taxable year at the rates set forth in s. 71.46 (2). In addition, except as provided in
19 ss. 71.23 (3), 71.26 (1) and 71.45 (1), a corporation that ceases doing business in this
20 state shall pay a special franchise tax according to or measured by its entire
21 Wisconsin net income for the taxable year during which the corporation ceases doing
22 business in this state at the rate under s. 71.46 (2). Every corporation organized
23 under the laws of this state shall be deemed to be residing within this state for the
24 purposes of this franchise tax. All provisions of this chapter and ch. 73 relating to
25 income taxation of corporations shall apply to franchise taxes imposed under this

1 subsection, unless the context requires otherwise. The tax imposed by this
2 subsection on insurance companies subject to taxation under this chapter shall be
3 based on Wisconsin net income computed under s. 71.45, and no other provision of
4 this chapter relating to computation of taxable income for other corporations shall
5 apply to such insurance companies. All other provisions of this chapter shall apply
6 to insurance companies subject to taxation under this chapter unless the context
7 clearly requires otherwise.

8 **SECTION 11.** 71.45 (1) of the statutes is amended to read:

9 71.45 (1) EXEMPT AND EXCLUDABLE INCOME. There shall be exempt from taxation
10 under this subchapter income of insurers exempt from federal income taxation
11 pursuant to section 501 (c) (15) of the internal revenue code, town mutuals organized
12 under or subject to ch. 612, foreign insurers, and domestic insurers engaged
13 exclusively in life insurance business, domestic insurers insuring against financial
14 loss by reason of nonpayment of principal, interest and other sums agreed to be paid
15 under the terms of any note or bond or other evidence of indebtedness secured by a
16 mortgage, deed of trust or other instrument constituting a lien or charge on real
17 estate and corporations organized under ch. 185, but not including income of
18 cooperative sickness care associations organized under s. 185.981, or of a service
19 insurance corporation organized under ch. 613, that is derived from a health
20 maintenance organization as defined in s. 609.01 (2) or a limited service health
21 organization as defined in s. 609.01 (3), or operating under subch. I of ch. 616 which
22 are bona fide cooperatives operated without pecuniary profit to any shareholder or
23 member, or operated on a cooperative plan pursuant to which they determine and
24 distribute their proceeds in substantial compliance with s. 185.45. This subsection
25 does not apply to income that is realized from the purchase and subsequent sale or

1 redemption of lottery prizes if the winning tickets were originally bought in
2 Wisconsin.

3 **SECTION 12.** 71.45 (2) (a) 15. of the statutes is created to read:

4 71.45 (2) (a) 15. By subtracting from federal taxable income all income that is
5 realized from the purchase and subsequent sale or redemption of lottery prizes that
6 is treated as nonapportionable income under sub. (3r).

7 **SECTION 13.** 71.45 (3r) of the statutes is created to read:

8 71.45 (3r) ALLOCATION OF CERTAIN PROCEEDS. All income that is realized from
9 the purchase and subsequent sale or redemption of lottery prizes if the winning
10 tickets were originally bought in Wisconsin shall be allocated to this state.

11 **SECTION 14.** 71.46 (3) of the statutes is amended to read:

12 71.46 (3) The tax imposed under this subchapter on each domestic insurer on
13 or measured by its entire net income attributable to lines of insurance in this state
14 may not exceed 2% of the gross premiums, as defined in s. 76.62, received during the
15 taxable year by the insurer on all policies on those lines of insurance if the subject
16 of that insurance was resident, located or to be performed in this state plus 7.9% of
17 the income realized from the purchase and subsequent sale or redemption of lottery
18 prizes if the winning tickets were originally bought in Wisconsin.

19 **SECTION 15.** 71.67 (4) (a) of the statutes, as affected by 1997 Wisconsin Act 27,
20 is amended to read:

21 71.67 (4) (a) The administrator of the lottery division in the department under
22 ch. 565 shall withhold from any lottery prize of \$2,000 or more an amount determined
23 by multiplying the amount of the prize by the highest rate applicable to individuals
24 under s. 71.06 (1) or (1m) the person who claims the prize. The administrator shall

1 deposit the amounts withheld, on a monthly basis, as would an employer depositing
2 under s. 71.65 (3) (a).

3 **SECTION 16.** 565.02 (2) (e) of the statutes is created to read:

4 565.02 (2) (e) If requested by a lottery prize winner to provide a certification
5 that lists the amounts of the lottery prize payments, if any, that the administrator
6 is required to withhold under ss. 565.30 (4), (5) and (5m) and 565.37 (5r), the
7 administrator shall provide the certification.

8 **SECTION 17.** 565.30 (5) of the statutes, as affected by 1997 Wisconsin Act 27,
9 is amended to read:

10 565.30 (5) WITHHOLDING OF DELINQUENT STATE TAXES, CHILD SUPPORT OR DEBTS
11 OWED THE STATE. The administrator shall report the name, address and social security
12 number of each winner of a lottery prize equal to or greater than \$1,000 and each
13 person to whom a lottery prize equal to or greater than \$1,000 has been assigned to
14 the department of revenue to determine whether the payee or assignee of the prize
15 is delinquent in the payment of state taxes under ch. 71, 72, 76, 77, 78 or 139 or in
16 court-ordered payment of child support or has a debt owing to the state. Upon
17 receipt of a report under this subsection, the department of revenue shall first
18 ascertain based on certifications by the department of workforce development under
19 s. 49.855 (2) whether any person named in the report is currently delinquent in
20 court-ordered payment of child support and shall next certify to the administrator
21 whether any person named in the report is delinquent in court-ordered payment of
22 child support or payment of state taxes under ch. 71, 72, 76, 77, 78 or 139. Upon this
23 certification by the department of revenue or upon court order the administrator
24 shall withhold the certified amount and send it to the department of revenue for
25 remittance to the appropriate agency or person. At the time of remittance, the

1 department of revenue shall charge its administrative expenses to the state agency
2 that has received the remittance. The administrative expenses received by the
3 department of revenue shall be credited to the appropriation under s. 20.566 (1) (h).
4 In instances in which the payee or assignee of the prize is delinquent both in
5 payments for state taxes and in court-ordered payments of child support, or is
6 delinquent in one or both of these payments and has a debt owing to the state, the
7 amount remitted to the appropriate agency or person shall be in proportion to the
8 prize amount as is the delinquency or debt owed by the payee or assignee.

9 **SECTION 18.** 565.30 (5) of the statutes, as affected by 1997 Wisconsin Act ...
10 (this act), is repealed and recreated to read:

11 **565.30 (5) WITHHOLDING OF DELINQUENT STATE TAXES, CHILD SUPPORT OR DEBTS**
12 **OWED THE STATE.** The administrator shall report the name, address and social security
13 number of each winner of a lottery prize equal to or greater than \$1,000 and each
14 person to whom a lottery prize equal to or greater than \$1,000 has been assigned to
15 the department of revenue to determine whether the payee or assignee of the prize
16 is delinquent in the payment of state taxes under ch. 71, 72, 76, 77, 78 or 139 or in
17 court-ordered payment of child support or has a debt owing to the state. Upon
18 receipt of a report under this subsection, the department of revenue shall first
19 ascertain based on certifications by the department of workforce development or its
20 designee under s. 49.855 (1) whether any person named in the report is currently
21 delinquent in court-ordered payment of child support and shall next certify to the
22 administrator whether any person named in the report is delinquent in
23 court-ordered payment of child support or payment of state taxes under ch. 71, 72,
24 76, 77, 78 or 139. Upon this certification by the department of revenue or upon court
25 order the administrator shall withhold the certified amount and send it to the

1 department of revenue for remittance to the appropriate agency or person. At the
2 time of remittance, the department of revenue shall charge its administrative
3 expenses to the state agency that has received the remittance. The administrative
4 expenses received by the department of revenue shall be credited to the
5 appropriation under s. 20.566 (1) (h). In instances in which the payee or assignee of
6 the prize is delinquent both in payments for state taxes and in court-ordered
7 payments of child support, or is delinquent in one or both of these payments and has
8 a debt owing to the state, the amount remitted to the appropriate agency or person
9 shall be in proportion to the prize amount as is the delinquency or debt owed by the
10 payee.

11 **SECTION 19.** 565.30 (5m) of the statutes, as affected by 1997 Wisconsin Act 35,
12 is renumbered 565.30 (5m) (a) and amended to read:

13 565.30 **(5m)** (a) The administrator shall report to the department of workforce
14 development the name, address and social security number of each winner of a
15 lottery prize that is payable in instalments and the name, address and social security
16 number or federal income tax number of the person who has been assigned a lottery
17 prize that is payable in instalments. Upon receipt of the report, the department of
18 workforce development shall certify to the administrator whether any payee or
19 assignee named in the report is obligated to provide child support, spousal support,
20 maintenance or family support under s. 767.02 (1) (f) or (g), 767.10, 767.23, 767.25,
21 767.26, 767.261, 767.465 (2m), 767.51 (3) or 948.22 (7) or ch. 769 and the amount
22 required to be withheld from the lottery prize under s. 767.265. The Subject to par.
23 (b), the administrator shall withhold the certified amount from each payment made
24 to the winner or assignee and shall remit the certified amount to the department of
25 workforce development.

1 **SECTION 20.** 565.30 (5m) (b) of the statutes is created to read:

2 565.30 **(5m)** (b) The administrator may not withhold from any payment to an
3 assignee of a lottery prize any child support, spousal support, maintenance or family
4 support specified in par. (a) that is owed by a winner of a lottery prize, nor may the
5 administrator withhold from any payment to a winner any child support, spousal
6 support maintenance or family support that is owed by an assignee.

7 **SECTION 21.** 565.30 (5t) of the statutes is created to read:

8 565.30 **(5t)** USE OF LOTTERY PRIZE AS SECURITY FOR LOAN. (a) *Definition.* In this
9 subsection, “prize winner” means a person who has won a lottery prize and any other
10 person who is authorized by law to use a lottery prize as security for a loan.

11 (b) *Security for a loan.* A prize winner may use a lottery prize or part of a lottery
12 prize as security for a loan only pursuant to a court order issued under this
13 subsection.

14 (c) *Judicial process for using lottery prizes as security for loans.* Any prize
15 winner who intends to use part or all of a lottery prize as security for a loan shall
16 petition the circuit court of the county in which the prize winner resides or the circuit
17 court of Dane County for a court order confirming the use of a lottery prize as security
18 for a loan. The circuit court of the county in which the prize winner resides or the
19 circuit court of Dane County shall issue an order confirming the use of a lottery prize
20 as security for a loan only if all of the following occur:

21 1. The prize winner is represented by independent legal counsel.

22 2. A copy of the contract that provides for using any part of the lottery prize as
23 security for the loan is attached to the petition.

24 3. The contract is executed by the prize winner, is subject to the laws of this
25 state and provides that the prize winner has the right to cancel the contract until

1 midnight of the 3rd business day after the date on which the prize winner entered
2 into the contract.

3 4. The prize winner attests, by sworn affidavit, that he or she is of sound mind,
4 is not acting under duress and acknowledges that the state will not make any of the
5 lottery prize payments or parts of lottery prize payments to the prize winner that are
6 being used as security for the loan in the event the prize winner defaults on the loan.

7 5. The prize winner, by sworn affidavit, provides the court with an accounting
8 of all claims to, or judgments, liens, security interests, garnishments, assignments
9 or attachments against, all or any part of the lottery prize payments.

10 6. The prize winner provides the court a certification from the administrator
11 that lists the amounts of the lottery prize payments, if any, that the administrator
12 is required to withhold for the prize winner under subs. (4), (5) and (5m) and s. 565.37
13 (5r).

14 7. The part of the lottery prize that is being used as security for the loan does
15 not include the amounts of any withholdings specified under subs. (4), (5) and (5m)
16 and s. 565.37 (5r).

17 8. The court determines that the interest rate on the loan does not exceed the
18 weekly prime rate for the week prior to the date on which the court received a copy
19 of the contract, as reported by the federal reserve board in federal reserve statistical
20 release H. 15, plus 6%. In making the calculation under this subdivision, the court
21 shall subtract from the compensation received by the individual or organization
22 making the loan any required fees or other costs charged the prize winner.

23 (d) *Contents of court order.* A court order issued under par. (c) shall include all
24 of the following:

25 1. The name of the prize winner.

1 2. The prize winner's social security number if the prize winner is an
2 individual, or federal income tax identification number if the prize winner is an
3 organization.

4 3. The name of the individual or organization that is making the loan to the
5 prize winner.

6 4. The social security number of the individual or the federal income tax
7 identification number of the organization that is making the loan to the prize winner.

8 5. If an individual is making the loan to the prize winner, the citizenship of the
9 individual. If the individual is not a citizen of the United States of America, the order
10 shall include the individual's resident alien number.

11 (e) *Administration.* Upon receipt of a court order issued under par. (c), the
12 individual or organization making the loan shall provide a certified copy of the court
13 order to the administrator. The administrator shall acknowledge receipt of the court
14 order in writing to the individual or organization making the loan and shall make
15 all lottery prize payments according to the terms specified in the court order. The
16 administrator may charge an initial processing fee, in an amount determined by
17 rule, to cover any costs associated with processing the lottery prize payments in
18 accordance with the terms specified in the court order.

19 **SECTION 22.** 565.30 (6) of the statutes is repealed and recreated to read:

20 565.30 (6) VOLUNTARY ASSIGNMENT OF LOTTERY PRIZE. (a) *Definition.* In this
21 subsection, "assignor" means a lottery prizewinner or a person who has the right to
22 assign all or part of a lottery prize.

23 (b) *Voluntary assignment.* An assignor may make a voluntary assignment of
24 a lottery prize or part of a lottery prize only pursuant to a court order issued under
25 this subsection.

1 (c) *Judicial process for assignment.* Any assignor who intends to voluntarily
2 assign part or all of a lottery prize to any individual or organization shall petition the
3 circuit court of the county in which the assignor resides or the circuit court of Dane
4 County for a court order confirming the assignment. The circuit court of the county
5 in which the assignor resides or the circuit court of Dane County shall issue an order
6 confirming the assignment only if all of the following occur:

7 1. The assignor is represented by independent legal counsel.

8 2. A copy of the assignment is attached to the petition.

9 3. The assignment is in writing, is executed by the assignor and is subject to
10 the laws of this state.

11 3m. The contract for the assignment provides that the assignor has the right
12 to cancel the contract until midnight of the 3rd business day after the date on which
13 the assignor entered into the contract.

14 3r. The contract for the assignment provides that the assignor, from the
15 proceeds received from the individual or organization to whom part or all of the
16 lottery prized is assigned, agrees to pay in full any delinquent payments that may
17 be owed by the assignor under subs. (4), (5) and (5m) and s. 565.37 (5r).

18 4. The assignor attests, by sworn affidavit, that he or she is of sound mind, is
19 not acting under duress and acknowledges that the state will not make any of the
20 assigned lottery prize payments or parts of lottery prize payments to the assignor.

21 5. The assignor, by sworn affidavit, provides the court with an accounting of all
22 claims to, or judgments, liens, security interests, garnishments, assignments or
23 attachments against, all or any part of the lottery prize payments.

24 6. The assignment does not include the amounts of any withholdings specified
25 under sub. (4), (5) or (5m) or s. 565.37 (5r).

1 7. The assignor provides the court a certification from the administrator that
2 lists the amounts of the lottery prize payments, if any, that the administrator is
3 required to withhold for the assignor under subs. (4), (5) and (5m) and s. 565.37 (5r).

4 8. The payment that the assignor will receive as compensation for the
5 assignment is at least equal to the present value of the assigned lottery prize
6 payments, discounted at a rate no greater than the weekly prime rate for the week
7 prior to the date on which the court received a copy of the assignment, as reported
8 by the federal reserve board in federal reserve statistical release H. 15, plus 6%. In
9 making the calculation under this subdivision, the court shall subtract from the
10 compensation received by the assignor any required fees or other costs charged the
11 assignor.

12 9. The individual or organization to whom part or all of the lottery prized is
13 assigned specifies in an affidavit that the individual or organization agrees to report
14 and pay any state income or franchise tax that is owed on any income or gain realized
15 from the purchase and subsequent sale or redemption of any lottery prize.

16 (d) *Contents of court order.* A court order issued under par. (c) shall include all
17 of the following:

18 1. The name of the prizewinner or the name of the assignor, if different from
19 the prizewinner.

20 2. The assignor's social security number if the assignor is an individual, or
21 federal income tax identification number if the assignor is an organization.

22 3. The name of the individual or organization to whom part or all of the lottery
23 prize is assigned.

1 4. The social security number of the individual or the federal income tax
2 identification number of the organization to whom part or all of the lottery prize is
3 assigned.

4 5. If part or all of the lottery prize is assigned to an individual, the citizenship
5 of the individual. If the individual is not a citizen of the United States of America,
6 the order shall include the individual's resident alien number.

7 6. The number of assigned lottery prize payments and the dates on which the
8 assigned lottery prize payments are to be paid.

9 7. The gross amount of each of the lottery prize payments that are subject to
10 withholding for tax purposes and that are assigned.

11 (e) *Administration of lottery prize assignment.* Upon receipt of a court order
12 issued under par. (c), the individual or organization to whom the lottery prize is
13 assigned shall provide a certified copy of the court order to the administrator. The
14 administrator shall acknowledge receipt of the court order in writing to the
15 individual or organization to whom the lottery prize is assigned and shall make all
16 lottery prize payments according to the terms specified in the court order. The
17 administrator may charge an initial processing fee, in an amount determined by
18 rule, to cover any costs associated with processing the lottery prize payments in
19 accordance with the terms specified in the court order.

20 **SECTION 23.** 565.37 (5r) of the statutes is renumbered 565.37 (5r) (a) and
21 amended to read:

22 565.37 **(5r)** (a) If the administrator receives a notice of the assignment of lottery
23 prizes under s. 973.05 (4) (b), he or she shall periodically determine if the person
24 subject to the assignment is a winner or assignee of a lottery prize that is payable in
25 instalments. If the administrator determines that a person subject to an assignment

1 of lottery prizes under s. 973.05 (4) (b) is a winner or assignee of a lottery prize that
2 is payable in instalments, the administrator, subject to par. (b), shall withhold the
3 amount of the judgment that is the basis of the assignment from the next instalment
4 payment. The administrator shall submit the withheld amount to the court that
5 issued the assignment. The administrator shall notify the winner or assignee of the
6 reason that the amount is withheld from the lottery prize. If the initial instalment
7 payment is insufficient to pay the judgment, the administrator shall withhold and
8 submit to the court an amount from any additional instalment payments until the
9 judgment is paid in full or until the court notifies the administrator that the
10 judgment is paid and the assignment is no longer in effect.

11 **SECTION 24.** 565.37 (5r) (b) of the statutes is created to read:

12 565.37 (5r) (b) The administrator may not withhold from any payment to an
13 assignee of a lottery prize the amount specified in par. (a) that is owed by a winner
14 of a lottery prize, nor may the administrator withhold from any payment to a winner
15 the amount specified in par. (a) that is owed by an assignee.

16 **SECTION 25. Initial applicability; Revenue.**

17 (1) SITUS OF INCOME. The treatment of sections 71.04 (1) (a) and (9), 71.23 (1)
18 and (2), 71.25 (5) (b), 71.26 (1) (a), 71.362 (1) and (2), 71.43 (1) and (2), 71.45 (1), (2)
19 (a) 15. and (3r), 71.46 (3) and 71.67 (4) (a) of the statutes first applies to taxable years
20 beginning on January 1, 1998.

21 **SECTION 26. Effective dates.** This act takes effect on the day after publication,
22 except as follows:

1 (1) The repeal and recreation of section 565.30 (5) of the statutes takes effect
2 on October 1, 1999, or the date stated in the Wisconsin Administrative Register
3 under section 767.29 (1) (f), whichever is earlier.

4

(END)