



Hit a big lottery in New Jersey? State taking more off top

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TRENTON, N.J. (AP) - If someone buys a winning ticket for Friday's \$508 million Mega Millions game in New Jersey, the state will be collecting more money at payout than it would have last month under a new policy of Republican Gov. Chris Christie's administration.

Under the new rates, winnings greater than \$10,000 up to \$500,000 will have 5% automatically withheld, and prizes above \$500,000 will face an 8 percent withholding. Previously, prizes greater than \$10,000 faced a withholding of 3 percent.

The changes, which went into effect last Friday, aren't an increase in the income tax rate but instead are analogous to tax withholdings in an employee's paycheck. Acting Treasurer Ford Scudder told lawmakers in May the change would assist in the collection of taxes already owed.

The rate change could bring in about \$25 million more in gross income tax revenue, the treasurer estimated, a small fraction of total state revenue in 2017, projected at \$35.6 billion.

"This simple, commonsense change will help ensure that existing tax liabilities are ultimately collected on winnings," Scudder testified.

While Scudder told lawmakers that legislation would be needed to increase the withholding rate, state Department of the Treasury spokesman Joseph Perone told The Associated Press on Wednesday that the department determined that wasn't needed. The director of the division of taxation within the department had the legal authority to change the rate, Perone said.

The changes mean New Jersey's lottery withholding goes from among the lowest in the country to among the highest for the biggest jackpot winners, according to data from the Tax Foundation, a nonpartisan think tank.

Pennsylvania does not withhold income tax from lottery winnings, while New York imposes an 8.82 percent withholding, the highest in the country.

The new rates come after a New Jersey family won a nearly \$430 million Powerball jackpot in May. Had the new rates been in effect, the state would have automatically collected about \$25 million in taxes. Instead, the state withheld only about \$10 million in taxes on that winning ticket.

Winners also face a 25 percent federal withholding on winnings of more than \$5,000.

Sal Risalvato, executive director of the New Jersey Gasoline, C-Store and Automotive Association, said the withholding rate change is unlikely to stop people from buying lottery tickets.

"It's just another way for the state to rob people," he said.