

HB 22531: Lottery Withholding

What the concept does:

The concept proposes to reduce the threshold for mandatory withholding on Oregon lottery winnings.

Background:

Any single Oregon lottery prize of \$600 or more is subject to income tax. If the payment from the prize is at least \$5,000, there is mandatory income tax withholding of 8%.

At this threshold level, there are lottery winnings that go unreported. For example, in 2010, if the threshold were reduced to \$3,000, it's estimated that would have more than doubled the number of winners subject to withholding and increased the withholding to the state by \$1.5 million.

In 2010, there were 6,700 prize winners. Nearly 25 percent of total prize winners didn't file a return for Oregon and of those that did file, almost 20 percent failed to report the prize(s) on the return they did file. These two numbers represent almost 2,300 prizes in 2010, or a 35 percent non-compliance rate.

Solution:

- Reduce the existing threshold (\$5,000) where withholding is required on lottery prizes.
- Select a threshold that balances the increase in administrative cost with the increase in tax payments as well as the filing requirements placed on the taxpayer.

Fiscal Impact:

The impact is estimated at minimal for Lottery to do some programming.

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