

**WISCONSIN DEPARTMENT OF REVENUE
DIVISION OF INCOME, SALES, AND EXCISE TAX**

NOTICE OF PROPOSED GUIDANCE DOCUMENTS

Pursuant to sec. 227.112, Wis. Stats., the Wisconsin Department of Revenue, Division of Income, Sales, and Excise Taxes hereby seeks comment on the proposed guidance documents listed in the table below.

SUBMITTING PUBLIC COMMENTS

Public comments on proposed or adopted guidance documents may be submitted online at: <https://www.revenue.wi.gov/Pages/contactUs/proposed-Guidance.aspx>.

DEADLINE FOR SUBMISSION

The period for public comment for proposed guidance documents ends 21 days after publication in the Administrative Register, unless the Governor approves a shorter commenting period.

Document Number	Document Title
P600	Publication 600, <i>Wisconsin Taxation of Lottery Winnings</i>



This is a proposed guidance document. The document has been submitted to the Legislative Reference Bureau for publication in the Administrative Register for public comment as provided by [sec. 227.112\(1\)](#), Wis. Stats.

Wisconsin Taxation of Lottery Winnings

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IMPORTANT CHANGES

Use this publication in preparing your 2019 tax return. There are no substantive differences between the 2018 and 2019 versions of this publication.

1. INTRODUCTION

The purpose of this publication is to address various questions about the taxation of lottery winnings, withholding of Wisconsin income tax from Wisconsin lottery winnings, and the offset of Wisconsin lottery winnings for payment of delinquent Wisconsin taxes, child support, and other debts to Wisconsin state agencies, counties, and municipalities.

2. TAXATION OF LOTTERY WINNINGS

A *resident* of Wisconsin is taxed on all lottery winnings, whether the winnings are from the Wisconsin Lottery or another lottery.

A *nonresident* of Wisconsin is taxed on lottery winnings from the Wisconsin Lottery, as well as from a multijurisdictional lottery (for example, Powerball), if the lottery ticket was purchased from a retailer in Wisconsin. However, a nonresident of Wisconsin must have Wisconsin gross income, including any Wisconsin lottery winnings, of \$2,000 or more before the nonresident is required to file a Wisconsin income tax return and pay Wisconsin income tax on the lottery winnings.

For additional information concerning the taxation of lottery winnings in Wisconsin, see [Fact Sheet 1104, Gambling Winnings](#).

A. Sharing of Lottery Winnings

For both federal and Wisconsin income tax purposes, two or more persons may share the lottery winnings from a single Wisconsin Lottery ticket. The persons may also share in the taxation of those lottery winnings.

A court order is required when more than one person is claiming a share of a Wisconsin Lottery prize. If two or more claimants agree to share in the winnings from a lottery ticket, the amount that each claimant receives is reportable as taxable income at the state and federal level.

To share in the taxation of any potential winnings, an agreement to share in the lottery winnings must be made **prior** to the drawing or start of the event that determines the winner. For example, a ball drawing or scratching of a ticket is the event that determines a winning ticket for most lottery products.

When a claimed prize is accompanied by the required court order, the Wisconsin Lottery will issue payment to the sharing claimants identified in the court order, in the amounts and manner as described in the court order. By January 31 following the year of payment of the prize, the Wisconsin Lottery will also mail each individual claimant a federal Form W-2G, *Certain Gambling Winnings*, reporting an amount consistent with the payment and taxation instructions contained in the court order. Multiple claimants who wish to share a prize, but who fail to complete a court order, may not receive separate payment checks or separate Forms W-2G, consistent with Wisconsin Statutes and Administrative Code. An agreement to share in the lottery winnings made **after** the start of the event that determines the winner will preclude the persons from sharing in the taxation of such winnings.

Example: You and two of your friends agree to share equally in any winnings from a lottery ticket you purchased prior to the time you scratch off the ticket (scratching off the ticket is the event that determines the winner).

The lottery ticket is a winner of \$1,500. You and your two friends should each report \$500 ($\$1,500 \div 3 = \500) as taxable income for each person's share of the lottery winnings.

B. Reporting the Sharing of Winnings to the Lottery

The Wisconsin Lottery will issue only one check for a prize, unless a court order is presented, declaring that the prize is to be shared by more than one claimant. However, even if a court order was not presented at the time the lottery winnings were paid, two or more persons may still share in the taxation of the lottery winnings, provided there was an agreement to share in the lottery winnings. For lottery winnings of more than \$600, you must take the following steps to ensure that the winnings will be reported for the proper claimants:

- Obtain a court order advising the Wisconsin Lottery that the prize is claimed by more than one claimant.
- Complete one federal [Form 5754](#), *Statement by Person(s) Receiving Gambling Winnings*, for the group of claimants, and a claim form for each individual claimant in the group.
- Present all completed documents (court order, Form 5754, and individual claim forms) at a Lottery Validation Center, or mail them to the address below. The processing of these documents may take up to two weeks from receipt of the documents.

If you have questions about claiming Lottery prizes, you may visit any Lottery Validation Center or contact the department as follows:

By phone... (608) 266-7777

By mail... Mail Stop 231
Wisconsin Lottery
P.O. Box 8941
Madison, WI 53708-8941

By email... DORLotteryInfoWebsite@wisconsin.gov

3. DEDUCTIONS FOR LOTTERY LOSSES

Lottery losses may **not** be used in computing the Wisconsin itemized deduction credit. No deduction is permitted on the Wisconsin income tax return.

For additional information concerning deducting lottery losses in Wisconsin, see [Fact Sheet 1104](#), *Gambling Winnings*.

4. CREDIT FOR TAXES PAID TO OTHER STATES

If you are a Wisconsin resident and paid a net income tax to another state or the District of Columbia on lottery winnings, you may be entitled to claim a credit for such income tax on your Wisconsin income tax return. To qualify for the credit, the lottery winnings that were taxed by the other state must also be included in your Wisconsin income and taxed by Wisconsin. For more information, see the instructions for Wisconsin [Form 1](#) and [Schedule OS](#), *Credit for Net Tax Paid to Another State*.

5. WITHHOLDING OF WISCONSIN INCOME TAX FROM LOTTERY WINNINGS

Wisconsin income tax will be withheld from Wisconsin lottery winnings of \$2,000 or more. For purposes of the \$2,000 limit, lottery winnings means the **total lottery prize**, not each claimant's share of the lottery prize. As noted previously, the Wisconsin Lottery will make one payment unless a court order instructs the Lottery to do otherwise.

Tax withholding will be applied consistent with the payment structure outlined in the court order. Therefore, any income tax withheld will reduce the amount of the check(s) issued.

Example: You and two other people buy a Wisconsin Lottery ticket and provide a court order declaring that the prize is claimed by three persons. The ticket is a winner of a \$3,000 prize. Wisconsin income tax will be withheld from the total lottery winnings, even though each winner's individual share in the lottery winnings (\$1,000) is less than \$2,000.

In addition to the taxable amount of lottery winnings reported on Form W-2G, Wisconsin withholding will also be shown, if applicable. If there was a sharing of the lottery winnings (and the required court order was presented to the Wisconsin Lottery), withholding will be shared in the same proportion and reported as such on Form W-2G.

Wisconsin income tax will be withheld at the highest rate that applies to individuals at the time of winning.

Note: Although Wisconsin income tax will not be withheld from lottery winnings of less than \$2,000, the winnings are still subject to Wisconsin income tax.

6. WITHHOLDING DELINQUENT TAXES AND DEBTS TO OTHER STATE AGENCIES, COUNTIES, AND MUNICIPALITIES FROM LOTTERY WINNINGS

Before paying lottery prizes of \$600 or more, the Wisconsin Lottery is required to determine if the winners of the lottery prize are delinquent in the payment of Wisconsin taxes, child support, or debts to other government entities.

If you are found to be delinquent in the payment of such liabilities, the Wisconsin Lottery will notify the appropriate entity of the amount of your lottery winnings (your share, if applicable). Upon certification by the Wisconsin Department of Revenue or other government entity, or upon court order, the Lottery will withhold the certified amount from your lottery winnings, and the Department of Revenue will distribute any Wisconsin state agency's, county's, or municipality's share to the entity. The remaining balance of your lottery winnings will be sent to you.

If a claimant of a shared lottery prize (where the required court order was presented to the Wisconsin Lottery) is subject to withholding for delinquencies, only that claimant's share of the lottery winnings will be used to determine the amount available to pay that claimant's delinquent account(s).

7. ADDITIONAL QUESTIONS?

If you have questions about the taxation of lottery winnings for Wisconsin income tax purposes, you may visit any Department of Revenue office or contact the department as follows:

By phone... (608) 266-2486

By email... DORIncome@wisconsin.gov

Applicable Laws and Rules

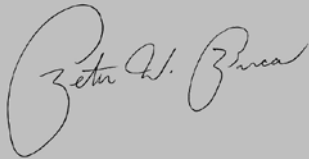
This document provides statements or interpretations of the following laws and regulations in effect as of January 30, 2020: Chapter 71, Wis. Stats.

Laws enacted and in effect after January 30, 2020, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to January 30, 2020, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

Certification Statement

As the Secretary of the Wisconsin Department of Revenue (DOR), I have reviewed this guidance document or proposed guidance document and I certify that it complies with secs. 227.10 and 227.11, Wis. Stats.. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is not explicitly required or explicitly permitted by a statute or rule that has been lawfully promulgated. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is more restrictive than a standard, requirement, or threshold contained in the Wisconsin Statutes.

DEPARTMENT OF REVENUE



Peter Barca

Secretary of Revenue