

TITLE 280 - DEPARTMENT OF REVENUE

CHAPTER 20 - DIVISION OF TAXATION

SUBCHAPTER 55 - PERSONAL INCOME TAX

Part 8 - Lottery and Pari-Mutuel Winnings and Prizes

8.1 Purpose

These rules and regulations implement R.I. Gen. Laws § 44-30-71.2. This section outlines the withholding of tax from lottery and pari-mutuel winnings and prizes.

8.2 Authority

These rules and regulations are promulgated pursuant to R.I. Gen. Laws §§ 44-30-71.2, 44-30-95(a), and 44-1-4. These rules and regulations have been prepared in accordance with the requirements of R.I. Gen. Laws § 42-35-1 *et seq.* of the Rhode Island Administrative Procedures Act.

8.3 Application

These rules and regulations shall be liberally construed so as to permit the Division of Taxation the authority to effectuate the purpose of R.I. Gen. Laws § 44-30-71.2 and other applicable state laws and regulations.

8.4 Severability

If any provision of these rules and regulations, or the application thereof to any person or circumstances, is held invalid by a court of competent jurisdiction, the validity of the remainder of the rules and regulations shall not be affected hereby.

8.5 General

- A. Effective on and after July 1, 1989, amounts received from or paid on behalf of the Rhode Island Lottery as winnings and prizes are taxable under the provisions of the Rhode Island personal income tax (R.I. Gen. Laws § 44-30-1 *et seq.*, as amended).
- B. Additionally, subject to provisions of this regulation, these amounts and winnings received from pari-mutuel betting licenses in Rhode Island are subject to

withholding taxes similar to the Internal Revenue provisions for gambling winnings.

8.6 Effective Date Explained

- A. The taxability of Rhode Island Lottery winnings and prizes and the withholding requirements applied to the Rhode Island Lottery and to pari-mutuel betting licensees in Rhode Island are applied according to the date on which the winnings and prizes are received after the effective date above.
- B. Winnings and prizes received means amounts received by the taxpayer on or after July 1, 1989 regardless of the date of the Lottery drawing, the date of the winner determination or the date of the pari-mutuel betting event and regardless of whether the prize or winnings are paid to the winner in installments over a period of time by the Director of Lotteries, pari-mutuel betting licensee or by a third party annuity or other contractual payor.
- C. Examples
 - 1. George found a winning Rhode Island Lottery ticket he'd forgotten. Although the drawing was held eight (8) months earlier, George claimed his prize on July 15, 1989. For George's Rhode Island income tax purposes, his winnings are taxable as part of his 1989 Rhode Island income. Depending on the amount of his winnings, Rhode Island withholding may be deducted by the Lottery prior to his receipt.
 - 2. Joan won the Rhode Island Lottery in 1987 and is receiving her winnings in a check each August over a ten year period. Beginning with the August 1989 check, Joan's winnings are taxable as part of her Rhode Island income. Depending on the amount of her winnings, Rhode Island withholding may be deducted by the Lottery or its third-party payor, prior to receipt.
 - 3. David bet, won and received his winnings at the Rhode Island Lottery in a single check in February 1989. Because he received his winnings before July 1, 1989, they are exempt from Rhode Island personal income tax and regardless of the amount, no Rhode Island withholding was deducted by the Lottery.
 - 4. Denise won and received a large sum from a Rhode Island casino in August 1989. Her winnings are part of her Rhode Island income (they were never exempted); however, since she received her winnings after July 1, 1989, and depending on the amount of her winnings, Rhode Island withholding may be deducted by the payor prior to receipt.

8.7 Treatment by Taxpayers

A. Lottery Winnings

1. Effective July 1, 1989, winnings and prizes received from the Rhode Island Lottery are taxable under the provisions of the Rhode Island personal income tax (R.I. Gen. Laws § 44-30-1 et seq., as amended) and are includable in the income of both residents and nonresidents alike. Prior to that act, these winnings and prizes were exempt under R.I. Gen. Laws § 42-61-17.

B. Nonresidents

1. Winnings and prizes from the Rhode Island Lottery and pari-mutuel betting events conducted or operated by a licensee in Rhode Island are specifically set out as parts of the Rhode Island income of a nonresident individual in R.I. Gen. Laws § 44-30-32(b)(1)(iii).
 - a. As such, a nonresident must include them as items of income and deductions from Rhode Island sources in his or her calculation of Rhode Island personal income tax due.
 - b. Nonresidents must take these amounts of Rhode Island source income and deductions into consideration when determining if a Rhode Island nonresident income tax return is required to be filed.
 - c. If Rhode Island income tax has been withheld from the taxpayer's winnings and prizes and if, after calculation, the taxpayer has no Rhode Island tax liability, he or she must file a Rhode Island tax return to get a refund of the taxes withheld or to have the tax overpayment credited to the following year.

C. Withholding

1. Effective July 1, 1989, winnings and prizes received from the Rhode Island Lottery and from pari-mutuel betting licensees in Rhode Island are subject to withholding provisions similar to 26 C.F.R. § 31.3402(q)-1 (2018).
2. In order to receive a credit for Rhode Island taxes withheld, a taxpayer will be required to attach a copy of the W-2G to the Rhode Island tax return beginning with filings for any tax year ending on or after July 1, 1989.

8.8 Payors' Responsibilities

A. Payor

1. For the purpose of this regulation, a "payor" means and includes the Director of Lotteries (R.I. Gen. Laws § 42-61-1 *et seq.*), a third-party annuity or other contractual payor for the Rhode Island Lottery and every Rhode Island licensee conducting or operating events upon which parimutuel betting is allowed.

B. Reference to Federal Provisions

1. Whenever Federal income tax withholding and/or notification is required by 26 C.F.R. § 31.3402(q)-1 (2018), a corresponding withholding and/or notification is required for Rhode Island personal income tax purposes.
2. Additionally, provisions for remittance and reconciliation by the payor similar to those required for Federal purposes are required for Rhode Island purposes.

C. Rhode Island Withholding Method and Rate

1. If Federal income tax is withheld from a payment, then the payor must withhold an amount of Rhode Island income tax equal to the amount of Federal tax withheld multiplied by the Rhode Island personal income tax withholding rate in effect on the date of the payment.

D. Payor Remittance

1. Payors withholding Rhode Island income tax from winners' payments must remit the Rhode Island withholdings to the Division of Taxation at the same time as, but separate from, remittance for the payors' employees' withholdings.
2. If the payor has no employees for whom Rhode Island withholding is made, the payor will remit to the Division of Taxation on the same basis as other remittance of income taxes withheld then in effect.

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