

Texas Lottery Commission Press Release - August 1, 2001

Contact:

Leticia Vasquez, 512-344-5208

## LOTTERY WINNERS TO BENEFIT FROM TAX BREAK STARTING NEXT WEEK

(Austin, August 1) - Past, present and future winners of Texas Lottery prizes have a tax cut coming their way, thanks to Washington.

Beginning August 6th, US citizens and resident aliens who want to claim a winning ticket with a prize in excess of \$5,000 will see a reduction in the amount of withholding tax excised from their winnings. The current rate of 28 percent will drop by a half-percentage point to 27.5 percent, and drop even more six months later.

"What that means to a \$4 million *Lotto Texas* jackpot winner is \$800 more per year in the remaining annuity payments he or she collects," said Texas Lottery Executive Director Linda Cloud. "Players whose winning tickets have a prize they're claiming with the Cash Value Option will also see the advantage of the half percentage point reduction."

Cloud said the rate change applies only to claims made on or after August 6th, even if a winning ticket was purchased prior to that date. As long as the claim is made on or after that date, the reduction will be in effect.

After December 31st of this year, the tax rate decreases again. January 1st, 2002, the rate descends to 27 percent, where it remains until January 1st of 2004 when it decreases again to 26.5 percent. In 2006, the rate changes once more to 25 percent, where it will remain until there is another ruling.

Winners who claimed their *Lotto* prize as an annuity and are due their yearly installment in August will see a positive difference on the 15th. Annuity payments are made on the 15th of the month in which the prize was won, regardless of when it was claimed.

"Imagine what this rate reduction would have meant to the winners of the \$85 million *Lotto* jackpot last March," Cloud said. "That half point less in withholding would have counted for \$320,872 more in their check."

The rate for nonresident aliens lottery winners, however, does not change, remaining at 30 percent of any prize of \$5,000 and above.

The rate change is part of the Economic Growth and Tax Relief Reconciliation Act of 2001.

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The Texas Lottery, the 4th largest selling lottery in North America, is "Focusing on the Future of Education, One Ticket At A Time." By providing the 'Games of Texas' for more than 10 years, the Texas Lottery Commission (TLC) has generated more than \$10 billion for the state and paid nearly \$17 billion to players in prizes. For more information about the TLC, please visit the official website at <http://www.txlottery.org>

-30-