



State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION
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NEW JERSEY GROSS INCOME TAX
New Jersey Lottery Questions and Answers
(P.L. 2009, c. 69)

1.) Q. *Are my winnings from the New Jersey Lottery in the amount of \$10,000 or less taxable for New Jersey Gross Income Tax purposes?*

A. No. The New Jersey Gross Income Tax Act specifically provides for the exclusion of New Jersey Lottery winnings from prizes in the amount of \$10,000 or less from gross income.

2.) Q. *Are New Jersey Lottery winnings in amounts exceeding \$10,000 taxable for New Jersey Gross Income Tax purposes?*

A. Yes. P.L. 2009, c. 69 provides that New Jersey Lottery winnings from prizes exceeding \$10,000 are taxable for New Jersey Gross Income Tax purposes.

3.) Q. *When does this new law take effect?*

A. The new law is effective July 1, 2009 and applies to taxable years beginning on or after January 1, 2009.

4.) Q. *If I won the New Jersey Lottery earlier this year do I have to pay tax on my winnings?*

A. Yes. You should also make estimated income tax payments to New Jersey because the New Jersey Lottery was not required to withhold prior to the effective date of the law.

5.) Q. *If I won the New Jersey Lottery and claimed my prize in 2008, but my check was issued and received in 2009, am I subject to income tax?*

A. Yes. Since the law change applies to tax year 2009 and the amount is received and taxable to the taxpayer in 2009, it is subject to New Jersey income tax if the original prize amount exceeds \$10,000.

6.) Q. *Does the new law apply to both residents and nonresidents?*

A. Yes. Both residents and nonresidents are subject to New Jersey Gross Income Tax on New Jersey Lottery winnings from prizes exceeding \$10,000.

7.) Q. *Are lottery winnings from other states taxable for New Jersey Gross Income Tax purposes?*

A. Yes. All winnings from an out-of-state lottery are taxable for New Jersey Gross Income Tax purposes, regardless of the amount.

8.) Q. *Will the New Jersey Lottery withhold income tax on taxable winnings?*

A. The New Jersey State Lottery will withhold New Jersey income tax on taxable winnings for Gross Income Tax at the withholding rate of 3%.

9.) Q. *Am I required to make estimated income tax payments on my winnings?*

A. If you believe that you will be underwithheld for New Jersey Gross Income Tax purposes, you should make estimated income tax payments so that you are not subject to interest and penalties. For more information, see <http://www.state.nj.us/treasury/taxation/pdf/pubs/tgi-ee/git8.pdf>.

10.) Q. *Where should I include taxable New Jersey Lottery winnings on my tax return?*

A. You should include taxable New Jersey lottery winning in the category of "Net Gambling Winnings" on your New Jersey income tax return.

11.) Q. *Will I be allowed to reduce my taxable New Jersey Lottery winnings by the amount I spent on buying lottery tickets?*

A. Yes. You may use your gambling losses to offset gambling winnings from the same year, not to exceed the total of your winnings.

12.) Q. *Will I be required to substantiate my gambling losses used to offset winnings?*

A. Yes, you may be required to substantiate gambling losses used to offset winnings reported on the New Jersey Gross Income Tax Return. Evidence of losses may take several forms, including providing losing tickets, a daily log or journal of wins and losses, canceled checks, notes, etc.

13.) Q. *What if I won the New Jersey Lottery prior to 2009 and am receiving my winnings in annuity payments?*

A. An annuity payment means that you will receive your prize over a number of years as opposed to receiving a lump sum. Annuity winners' current and future payments are subject to the state income tax.

14.) Q. *What if I choose to split or assign the proceeds of my lottery winnings?*

A. Splitting and assigning lottery proceeds is permitted under the New Jersey Lottery statutes and is taxable to the recipient for prizes exceeding \$10,000 for New Jersey income tax purposes, as appropriate and determined for federal income tax purposes.

Income taxation and withholding is based on the total amount of the prize won and is not affected by any assigning or splitting of the proceeds. For example, if two people win a prize of \$14,000 and split the proceeds equally, the \$7,000 of income is taxable to each person and is subject to the 3% withholding rate.

Companies obtaining the right to lottery payments from the winner and receiving lottery payments are also subject to the state withholding rate, as is the case for federal tax purposes. Each company will be required to file for a refund of the tax that was withheld, if applicable.