



# State of New Jersey

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## NEW JERSEY GROSS INCOME TAX New Jersey Lottery Questions and Answers

1.) *Q. Are my winnings from the New Jersey Lottery for \$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 tax.

2.) *Q. Are New Jersey Lottery winnings in amounts exceeding \$10,000 taxable for New Jersey gross income tax purposes?*

A. Yes. N.J.S.A. 54A:6-11 provides that New Jersey Lottery winnings from prizes exceeding \$10,000 are taxable for New Jersey gross income tax purposes.

3.) *Q. When did this law take effect?*

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

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

A. If you won a lottery prize in excess of \$10,000 prior to 2009, but you chose to receive the prize in annuity payments over the years rather than in a lump sum, any payments you receive in tax years 2009 and after are subject to the New Jersey gross income tax.

5.) *Q. Does the 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.

6.) *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.

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

A. The rate of withholdings is determined by the amount of the payout. Once it is determined that a prize is taxable, i.e. over \$10,000, the entire amount of the payout is subject to withholding, not just the amount in excess of \$10,000. Pursuant to the authority set forth in N.J.S.A. 54A:7-1(c) and effective July 1, 2016, the withholding rates for gambling winnings paid by the New Jersey Lottery are as follows:

5% for lottery payouts between \$10,001 and \$500,000;

8% for lottery payouts in excess of \$500,000; and

8% for lottery payouts in excess of \$10,000, if the claimant does not provide a valid taxpayer identification number.

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

A. If you believe that you will not have enough withholdings to cover your New Jersey gross income tax liability, 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>.

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

A. You should include taxable New Jersey Lottery winnings in the category of “net gambling winnings” on your New Jersey income tax return.

10.) *Q. Am I 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.

11.) *Q. Am I 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.

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

A. The New Jersey Lottery permits donating, splitting, and assigning lottery proceeds. If you choose to donate, split, or assign your lottery winnings, in whole or in part, it is taxable to the recipient in the same way as for federal income tax purposes.

New Jersey income tax withholding is based on the total amount of the prize won. For example, if two people win a New Jersey Lottery prize of \$14,000 and split the proceeds equally, the \$7,000 of income is taxable to each person and is subject to the 5% withholding rate.

Companies that obtain the right to lottery payments from the winner and receive lottery payments are also subject to State withholdings, as is the case for federal tax purposes. Each company is required to file for a refund of the tax withheld, if applicable.