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Keep Your Losing Tickets: Pennsylvania Lottery Winnings Are Now Taxed

STATE AND LOCAL TAX, TAX

BY SCHNEIDER DOWNS PROFESSIONAL

For the first time in Pennsylvania's history, cash prize winnings from the Pennsylvania Lottery ("the Lottery") will now be taxed. On July 13, 2016, Pennsylvania Governor Tom Wolf signed Act 84 of 2016, retroactively applying Pennsylvania's 3.07% personal income tax to all cash prizes paid by the Lottery on or after January 1, 2016. Additionally, if you won a prize before January 1, 2016 and elected annuity payments, all payments received in 2016 (and thereafter) are subject to the Pennsylvania personal income tax. This tax applies to cash prize winnings for both residents of Pennsylvania and nonresidents. Furthermore, if you are a Pennsylvania resident, the Pennsylvania personal income tax also applies to any gambling or lottery winnings won in other states.

According to a release by the Pennsylvania Department of Revenue, losses from Pennsylvania tickets purchased on or after January 1, 2016 may be used to offset winnings. This aspect may help make this change appealing to some, so do not throw away your losing tickets, daily log, canceled checks, or journal of wins and losses. Keep in mind, however, that your tax-deductible losses cannot exceed your total winnings.

In late July 2016, the Lottery sent a letter to winners on record informing them of the change. The letter stated that in late January or early February of 2017, the Lottery will mail a federal form W-2G to winners of individual prizes of \$600 or more during the 2016 calendar year. Any lucky winners of \$5,000 or more after July 12, 2016 will have Pennsylvania personal income tax automatically withheld from their winnings. If you received lottery winnings from January 1, 2016 through July 12, 2016, you may want to consider adjusting your payroll withholding and/or making estimated tax payments in order to reduce or eliminate any estimated underpayment penalty,

The release by the Pennsylvania Department of Revenue specified that taxable winnings should be reported on your Pennsylvania Personal Income Tax Return on Line 8 "Gambling and Lottery Winnings" and on Schedule T.

Please [contact us with any questions regarding lottery taxes](#) and visit the [Our Thoughts On](#) blog for more articles on state and local tax.

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