WHAT'S NEW
Act 84 of 2016 applies the commonwealth’s 3.07 percent personal income tax to cash prizes paid by the Pennsylvania Lottery on or after Jan. 1, 2016.

I WON A NONCASH PRIZE FROM THE PENNSYLVANIA LOTTERY. DOES THIS CHANGE IN THE LAW AFFECT ME?
The change in the law only imposes a tax on cash (monetary) prizes. Noncash prizes, such as merchandise or gift cards, are not subject to PA personal income tax.

If you chose to take the noncash option, any federal tax withholding payments, state sales tax, fees or other payments made by the Pennsylvania Lottery on the value of a noncash prize are considered taxable income.

WILL THE PENNSYLVANIA LOTTERY SEND ME A REPORT OF MY WINNINGS?
Winners of an individual prize valued at greater than $600 will receive a federal Form W2-G, Certain Gambling Winnings, by mail. Winners with questions about their individual tax liability should consult a qualified tax professional prior to filing their tax return.

WHERE SHOULD I REPORT TAXABLE PENNSYLVANIA LOTTERY WINNINGS ON MY PA TAX RETURN?
You should report your PA-taxable winnings on PA Schedule T and on Line 8 “Gambling and Lottery Winnings” of your PA-40 Personal Income Tax Return. Spouses must report their winnings separately.

AM I ALLOWED TO REDUCE MY TAXABLE PENNSYLVANIA LOTTERY WINNINGS BY THE AMOUNT I SPENT ON LOTTERY TICKETS?
Losses from Pennsylvania Lottery tickets purchased on or after Jan. 1, 2016 may now be used to offset gambling and lottery winnings. Therefore, you may use gambling losses (cost of lottery tickets or wagers), not exceeding your total winnings, to offset gambling winnings from the same tax year.

AM I REQUIRED TO SUBSTANTIATE MY GAMBLING LOSSES USED TO OFFSET WINNINGS?
Yes. You must be able to substantiate gambling losses used to offset winnings reported on the PA personal income tax return. Evidence of losses may take several forms, including providing copies of losing tickets, a daily log or journal of wins and losses, canceled checks, notes, etc.

WHAT IF I CHOOSE TO DONATE, SPLIT, OR ASSIGN THE PROCEEDS OF MY LOTTERY WINNINGS?
The Pennsylvania Lottery permits donating, splitting, and assigning lottery proceeds. If you choose to donate, split, or assign your lottery winnings, in whole or in part, the winnings are taxable to each recipient.

PA income tax withholding is based on the total amount of the prize won. For example, if two people win a lottery prize of $10,000 and split the proceeds equally, $5,000 of income is taxable to each person and is subject to the 3.07% withholding rate.

WHAT IF I SELL MY ANNUITY PAYMENT TO A THIRD PARTY?
If you sell your annuity, you are no longer liable for tax on the future payments; but you are liable for tax on the payment you receive from the sale. The gain from the sale is reported on PA Schedule D and on Line 5 “Net Income or Loss from the Sale, Exchange or Disposition of Property” of your PA-40 Personal Income Tax Return.