

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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SENATE BILL 439

Short Title: Tax on Lottery Winnings. (Public)

Sponsors: Senators Goodall; Apodaca, East, Preston, and Rucho.

Referred to: Finance.

March 9, 2009

1 A BILL TO BE ENTITLED  
2 AN ACT TO IMPOSE AN EXCISE TAX ON CERTAIN LOTTERY WINNINGS AND TO  
3 PROVIDE A STIPEND FOR TEACHERS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-134.6(b) is amended by adding two new subdivisions to  
6 read:

7 "(b) Deductions. – The following deductions from taxable income shall be made in  
8 calculating North Carolina taxable income, to the extent each item is included in taxable  
9 income:

10 ...

11 (19) Winnings from the North Carolina Education Lottery subject to tax under  
12 Article 5H of this Chapter.

13 (20) Amounts received from the Public School Teacher Expense Stipend Fund  
14 created pursuant to G.S. 115C-302.3."

15 **SECTION 2.** G.S. 105-163.2B is repealed.

16 **SECTION 3.** Chapter 105 of the General Statutes is amended by adding a new  
17 Article to read:

18 "Article 5H.

19 "Excise Tax on Lottery Winnings.

20 **"§ 105-187.70. Tax imposed.**

21 An excise tax is imposed on winnings under the North Carolina Education Lottery created  
22 pursuant to Chapter 18C of the General Statutes. The rate of tax is eight and one-fourth percent  
23 (8.25%) and applies to winnings that are required to be collected directly from the Commission  
24 under G.S. 18C-132(g). The winner of lottery proceeds and the Commission are jointly and  
25 severally liable for the tax imposed by this section.

26 **"§ 105-187.71. Collection.**

27 The North Carolina State Lottery Commission shall withhold the tax imposed by this  
28 Article from the payment of winnings. The Commission shall file a report and pay the withheld  
29 taxes to the Secretary in the same manner as required under G.S. 105-163.6 as if the winnings  
30 were wages on which income taxes were withheld. The taxes the Commission withholds are  
31 held in trust for the Secretary.

32 **"§ 105-187.72. Distribution.**

33 The Secretary shall distribute the taxes collected under this Article to the Public School  
34 Teacher Expense Stipend Fund created pursuant to G.S. 115C-302.3 on a quarterly basis."

35 **SECTION 4.** Article 20 of Chapter 115C of the General Statutes is amended by  
36 adding a new section to read:

37 **"§ 115C-302.3. Public School Teacher Expense Stipend Fund established.**



1        The Public School Teacher Expense Stipend Fund is established as a special revenue fund  
2 in the Department of Public Instruction. Moneys in the Fund shall be used only to offset  
3 classroom and professional expenses of public schoolteachers. The State Board of Education  
4 shall adopt rules related to eligibility for stipends from the Fund, the methodology of  
5 allocations from the Fund, the date payments shall be made from the Fund, and any other  
6 administrative procedures related to the Fund."

7        **SECTION 5.** This act becomes effective January 1, 2009. Section 1 of this act is  
8 effective for taxable years beginning or after that date, and Sections 2 and 3 are effective for  
9 winnings paid on or after that date.