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**Georgia Department of Revenue**  
**Policy Statement IT-2010-1-27**  
**Procedures for Withholding on the Assignment of**  
**Georgia Lottery Installment Payments**

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- 1) **Purpose/Subject:** This policy statement establishes the requirements and procedures for the withholding of state income taxes upon the assignment of Georgia lottery installment payments.
- 2) **Effective Date: July 1, 2008**
- 3) **Supersedes:** All previous documents and any oral directives in conflict herewith.
- 4) **Authority:**
  - a) Statutes
    - i) O.C.G.A. § 48-7-101
    - ii) O.C.G.A. § 50-27-24.1
  - b) Regulations  
Ga. Comp. R. & Regs. § 560-7-8-.39
- 5) **Scope:** A policy statement is intended to provide procedural guidance to the general public and Department personnel. It is a written statement issued to assist in the administration of laws and regulations by providing procedural guidance that may be followed in order to comply with the law. A policy statement does not have the force or effect of law, and is not binding on the public. It is, however, binding on agency personnel until superseded or modified by a change in statute, regulation, court decision, or advisory opinion.
- 6) **Definitions:**
  - a) “Assignee” – any person or third party, other than the winner, to whom any interest in a prize, payable in installment payments by the Georgia Lottery Corporation, is transferred or assigned pursuant to an appropriate judicial order as provided for in Code Section 50-27-24.1.
  - b) “Assignment” – the transfer of any interest in a prize, payable in installment payments by the Georgia Lottery Corporation, to any person or third party pursuant to an appropriate judicial order as provided for in Code Sec. 50-27-24.1.
  - c) “Assignor” – any person receiving a prize in installment payments from the Georgia Lottery Corporation who assigns or transfers any interest in such prize to

any person or third party pursuant to an appropriate judicial order as provided for in Code Section 50-27-24.1.

- d) "Lottery" – any game of chance approved by the Georgia Lottery Corporation and operated pursuant to Title 50, Chapter 27 of the Official Code of Georgia Annotated, including, but not limited to, instant tickets, on-line games, and games using mechanical or electronic devices but excluding pari-mutuel betting and casino gambling as defined in Title 50, Chapter 27 of the Official Code of Georgia Annotated.

**7) Requirements:**

The purpose of this policy statement is to explain how assignees of lottery winnings should comply with the income tax withholding requirements established under O.C.G.A. § 50-27-24.1. The statute requires that in "a voluntary assignment for consideration made under a judicial order, the assignee shall withhold from the purchase price to be paid to the assignor, federal and state income taxes in a manner and amount consistent with the procedures of the Georgia Lottery Corporation and pay such withheld taxes to the proper taxing authorities in a timely manner and maintain and file all required records, forms and reports." This newly enacted statute allows a lottery winner to voluntarily assign to another party his or her right to the lottery prize pursuant to an appropriate judicial order.

a) Provisions for Recognition of Gain by the Assignor:

For Georgia income tax purposes, the recognition of income to the lottery prize winner on the sale of any interest in such prize shall follow the recognition of such income per federal income tax laws, as applied and interpreted pursuant to the computation of the taxpayer's state income tax liability under Georgia law.

That is, if the transaction between the prize winner and the assignee is treated as an installment sale for purposes of the Internal Revenue Code, then the prize winner would treat the transaction as an installment sale for Georgia income tax purposes. The recognition of income will occur in the tax years in which the income is received.

Conversely, if the prize winner recognizes for purposes of the Internal Revenue Code all of the proceeds of the assignment transaction in one year, then the prize winner shall recognize the income for Georgia income tax purposes in that same year.

b) Provisions for Withholding by the Assignee on Purchase Payment(s) Made to the Assignor:

For purposes of withholding, the term "purchase price" shall mean the amount paid by the assignee in consideration for the assignment, except that in the event of an installment sale, the term "purchase price" shall mean the amount of the installment payment made by the assignee to the assignor. The phrase "date of the closing of the assignment transaction" shall mean the date on which the assignee makes payment of the agreed amount to the lottery prize winner, except

that in the event of an installment sale, the “date of the closing of the assignment transaction” means the date on which the assignee makes an installment payment to the winner.

The assignee shall withhold an amount equal to six percent (6%) of the purchase price of the assignment if the total payment exceeds \$5,000 or, in the event of an installment sale, if the total payments which will be made over the life of the installment agreement exceed \$5,000. Such amount withheld shall be sent to the Department as specified below within ten (10) days of the date of the closing of the assignment transaction. The assignor shall then claim the withholding on their Georgia income tax return when it is filed.

## **8) Procedures:**

### **Georgia Withholding**

Please follow the procedures below:

1. Withholding will be 6% of the purchase price
2. The amount is due within 10 days of the date of the closing of the assignment transaction
3. Form G-2LP should be included with your payment.

### **Federal Withholding**

Assignees of lottery assignments should consult with the Georgia Lottery Corporation and the Internal Revenue Service regarding submission of federal withholding taxes.

Last Updated: January 27, 2010

## **FOR MORE INFORMATION**

**For more information on this subject, contact the Taxpayer Services Division at 1-877-GADOR11 (1-877-423-6711), from 8:00 am to 4:30 pm EST, Monday through Friday, excluding holidays. Persons with hearing or speech impairments may call our TDD number at 404-417-4302. For forms and other information, visit our website ([www.dor.ga.gov](http://www.dor.ga.gov)).**

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