

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

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SENATE DRS35400-LYx-370 (5/16)

Short Title: Tax on Lottery Winnings/Teacher Stipend. (Public)

Sponsors: Senator Goodall.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO IMPOSE AN EXCISE TAX ON CERTAIN LOTTERY WINNINGS
3 AND TO 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
6 to read:

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

10 ...

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

13 (20) Amounts received from the Public School Teacher Expense Stipend
14 Fund 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15 **SECTION 2.** G.S. 105-163.2B is repealed.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
17 new Article to read:

18 "Article 5G.

19 "Excise Tax on Lottery Winnings.

20 **"§ 105-187.60. Tax imposed.**

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

26 **"§ 105-187.61. Collection.**

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

6 **"§ 105-187.62. Distribution.**

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

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

12 **"§ 115C-302.3. Public School Teacher Expense Stipend Fund established.**

13 The Public School Teacher Expense Stipend Fund is established as a special revenue
14 fund in the Department of Public Instruction. Moneys in the Fund shall be used only to
15 offset classroom and professional expenses of public school teachers. The State Board
16 of Education shall adopt rules related to eligibility for stipends from the Fund, the
17 methodology of allocations from the Fund, the date payments shall be made from the
18 Fund, and any other administrative procedures related to the Fund."

19 **SECTION 5.** This act becomes effective January 1, 2007. Section 1 of this
20 act is effective for taxable years beginning or after that date, and Sections 2 and 3 are
21 effective for winnings paid on or after that date.