

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE BILL 1855

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

Sponsors: Senators Goodall; Apodaca, Brock, Hunt, Jacumin, and Smith.

Referred to: Finance.

May 25, 2006

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

The General Assembly of North Carolina enacts:

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

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

...

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

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

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 G.S. 105-163.2B is repealed.

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

"Article 5G.

"Excise Tax on Lottery Winnings.

"§ 105-187.60. Tax imposed.

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

"§ 105-187.61. Collection.

The North Carolina State Lottery Commission shall withhold the tax imposed by this Article from the payment of winnings. The Commission shall file a report and pay the withheld taxes to the Secretary in the same manner as required under G.S. 105-163.6 as

1 if the winnings were wages on which income taxes were withheld. The taxes the
2 Commission withholds are held in trust for the Secretary.

3 **"§ 105-187.62. Distribution.**

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

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

9 **"§ 115C-302.3. Public School Teacher Expense Stipend Fund established.**

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

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