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Bad Luck: Man Wins Lottery, Fails To Collect And Is Convicted Of Fraud

Winning the lottery is exciting to contemplate, no matter the odds. In fact, perhaps it is exciting *because* of the odds. But not everyone is eligible to participate, especially lottery employees. Eddie Raymond Tipton is a 52-year-old former information security director for the Multi-State Lottery Association. And he must have wanted to participate in the excitement. Badly. He was found [guilty in Iowa](#) on two counts of fraud for his role in a \$14.3 million lottery win.

And he never got to collect. In the lead up to the trial, [The Des Moines Register](#) reported claims by officials that Mr. Tipton got the money and shuffled the hacked earnings between different people and holding accounts, including an investment company in Belize. In reality, it isn't clear that he ever got anything out of the deal except a criminal prosecution. He was accused of installing a self-deleting computer program (a rootkit) on a Hot Lotto drawing computer so he could orchestrate a winning ticket worth \$14.3 million. The fateful drawing was Dec. 29, 2010.



The ticket was a winner, but Tipton couldn't collect the winnings himself. Prosecutors said he waited a year to try to collect. With the unclaimed prize about to expire, there were two attempts to cash the ticket by people who refused to disclose the name of the buyer. Notably, it is against Iowa law to pay out jackpots anonymously. Eventually, the ticket origin was traced back to Tipton. Tipton was identified on video purchasing the ticket with the specific winning numbers at a convenience store.

Prosecutors said Mr. Tipton arranged the win by accessing the lottery's random number generating room on Nov. 20, 2010, and inserting a USB drive into the computer the lottery uses to choose numbers. The prosecution claims the drive was loaded with a rootkit, a special program designed to complete a task and then destroy itself. He then allegedly bought his winning ticket a month later. That was back in 2010, and prosecutors say he tried to claim the winnings in 2011 through a friend.

Given the lapse of time, it's reasonable to think that Mr. Tipton has already dealt with his tax issues, right? Not necessarily. The defense claims Mr. Tipton was in another state when the \$14.3 million ticket was purchased. Prosecutors claimed that Tipton went into the secure room where numbers are generated, one of only five people able to access it. They also say that the cameras trained on the room that day were tampered with.

Prosecutors said records indicate that Mr. Tipton's cell phone was used in Iowa when the ticket was bought, contradicting his claim he was out of state. The winning ticket was reportedly held for nearly a year, and hours before it was to expire, a company from Belize tried to cash it through a New York attorney. The lottery officials wouldn't cash the ticket, though, because the individuals running the Belize company wouldn't give their names.

It is especially daunting where a person pays tax on income and then has to give it back. Restitution tax deductions are often allowed, but since every year stands on its own, you are almost always left short. It's one reason criminal defendants often end up with tax problems too. More generally, tax advice is clearly one of the [10 things you should do when you win the lottery](#).

It pays to underscore this, because taxes can be a doozy. Time and again winners have trouble paying their taxes. They even get confused what they are taxed on, especially if they start giving money to charity or family. Winning can mean liabilities, since [the taxes on winning tickets](#) are a downside. Still, how bad can it be?

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