



## Robert W. Wood

THE TAX LAWYER

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# Key Way To Win Powerball Jackpot---Now Swollen To \$400M

**Updated — These winning Powerball numbers** were drawn at 11 p.m. Saturday, September 14: **1-17-25-37-44**. The Powerball is **20**. You can see the numbers drawn in this [YouTube](#) video. But with no ticket matching, the \$317 million jackpot swells to \$400 million set for Wednesday, September 18.



The Lotto Powerball logo (Photo credit: Wikipedia)

The Powerball Lottery seems purely chance, picking five numbers between 1 and 59, and a Powerball number from 1 to 35. Still, there are things you can do to improve your take-home odds. For example, avoid entering into a deal to split winnings with friends or relatives.

OK, that actually won't help you **win**. Even so, time and again such arrangements land people in expensive litigation. And it can also mean extra taxes. How monies are divvied up can be counter-intuitive. In some cases you can be taxed on more than your take.

Federal income taxes apply to all winnings, so you can also forget passing entirely under the IRS radar. See [How Much Tax Will You Owe On A \\$600 Million Jackpot?](#) Most states also tax lottery winnings, although some states

exempt their **own** state lottery winnings but tax Powerball or **other** states' lotteries.

The IRS will collect the top 39.6% federal rate. Paying tax isn't optional either, as an IRS [Form W-2G](#) will report your winnings. In fact, you can be taxed even if you split the money with family, friends or even charity unless you are very, very careful. A run for the state border with your cash isn't likely to work either, however tempting it may be.

In fact, it's best to plan **before** you win, although given the low odds of winning, it's unrealistic. Still, form and timing are key and lottery winners frequently make mistakes. If you win, see a tax adviser right away. Plan any transfers to charity, family or friends carefully. See [10 Things To Do When You Win The Lottery](#).

Tax problems can snowball — not unlike a Powerball jackpot. Keep a reserve for taxes, and allow for additional taxes if you give money to charity or family. Charitable contribution deductions are usually limited to 50% of your income, and in some cases even less. Thus, a winner giving all the money to charity might still pay tax on half.

Many of the worst lottery tax messes involve deals to split up the money. In [Dickerson v. Commissioner](#), an Alabama waitress won a \$10 million jackpot on a ticket given to her by a customer. The Tax Court held she was liable for gift tax when she transferred the winning ticket to a family S corporation (she owned 49%). See [Don't Assign Litigation Claims in a Waffle House](#).

In another case, a generous Canadian couple won \$11.2 million and gave 98% to charity. They only kept 2% for emergencies and more lottery tickets. See [Canadian Couple Wins \\$11 Million, Gives It Away](#) and [Canadian Couple Donates Millions From Lottery Win](#). Fortunately, [lottery winnings](#) aren't taxed in Canada, but the tax picture in the U.S. would have been grim.

In the U.S., even if a winner gives **all** winnings to charity he may still end up with a big tax bill. Charitable contribution tax deductions are usually limited to 50% of your income, less in some cases. A winner giving all the money to charity might **still** pay tax on half. Declining a win and turning down the money, done properly, can work, but it requires good professional help. See [IRS Is Taxing My Nobel Prize!](#)

Of course, most lottery winners aren't trying to give all the money to charity. But many make formal or informal deals with family, friends and co-workers.

Winners clearly need tax advice on optimizing the take and its tax efficiency. The tax messes that are triggered can be huge.

So if you play, be careful what promises you make. If you do make promises, get some advice about the need for (and format of) legal documents. You might be surprised about how many people don't worry about any of this until they are embroiled in legal and tax problems.

*You can reach me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*