

House of Representatives, April 2, 1998. The Committee on Judiciary reported through REP. LAWLOR, 99th DIST., Chairman of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING ASSIGNMENT OF LOTTERY WINNINGS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) Notwithstanding any other  
2 provision of the general statutes, on application  
3 of a judgment creditor or his attorney, stating  
4 that a judgment remains unsatisfied and the amount  
5 due thereon, and subject to the expiration of any  
6 stay of enforcement and expiration of any right of  
7 appeal, the clerk of the court in which the money  
8 judgment was rendered shall issue an execution  
9 against any winnings of the judgment debtor  
10 pursuant to chapter 226 or 229a of the general  
11 statutes, as amended, as the case may be. The  
12 execution shall be directed to (1) the State  
13 Comptroller who shall withhold any order of the  
14 State Treasurer, or (2) the president of the  
15 Connecticut Lottery Corporation, as the case may  
16 be, for payment due from winnings pursuant to  
17 chapter 226 or 229a, of the general statutes, as  
18 amended, to such judgment debtor until the  
19 judgment is satisfied.

20 Sec. 2. (NEW) The Connecticut Lottery  
21 Corporation may establish a reasonable fee for any  
22 administrative expenses associated with executions  
23 made pursuant to section 1 of this act, including

24 the cost to the Connecticut Lottery Corporation of  
25 any fee that may be imposed by the clerk of the  
26 court. The amount of the fee shall reflect the  
27 direct and indirect costs of processing the  
28 executions by said corporation.

29 Sec. 3. (NEW) The right of any person to a  
30 lottery prize that is paid in instalments over  
31 time awarded pursuant to section 12-568 of the  
32 general statutes, revision of 1958, revised to  
33 January 1, 1995, or section 12-812 of the general  
34 statutes, may be voluntarily assigned, in whole or  
35 in part, pursuant to the provisions of section 4  
36 of this act.

37 Sec. 4. (NEW) (a) Except as provided in  
38 section 5 of this act, no assignment of a lottery  
39 prize, in whole or in part, shall be valid unless  
40 it is executed pursuant to and approved in  
41 accordance with this section. Any such assignment  
42 shall entitle the assignee to receive, to the  
43 extent assigned, the lottery prize to which the  
44 assignor would be entitled. Such assignment shall  
45 be in writing and executed by the assignor. Such  
46 assignment shall be accompanied by an affidavit,  
47 signed and sworn to by the assignor before a  
48 proper authority, stating that the assignor (1) is  
49 of sound mind and not acting under duress, (2) has  
50 been advised by independent legal counsel and has  
51 received independent financial and tax advice  
52 concerning the assignment, (3) understands that he  
53 will not receive lottery prize payments or  
54 portions thereof for the time period assigned, (4)  
55 has received a disclosure statement as provided in  
56 subsection (b) of this section, and (5) at the  
57 time of the execution of the assignment, was  
58 informed in writing by the assignee that the  
59 assignor had the right to cancel the assignment no  
60 later than three business days following the date  
61 on which the assignment was signed.

62 (b) The assignee shall provide to the  
63 assignor a one-page written disclosure statement  
64 in at least ten-point bold type setting forth (1)  
65 the payments being assigned, by amount and payment  
66 dates, (2) the purchase price being paid for the  
67 assignment of such lottery prize, (3) the rate of  
68 discount to present value, assuming daily  
69 compounding and funding on the date of assignment,  
70 and (4) the amount, if any, of origination or  
71 closing fees that will be charged to the assignor.

72 (c) Upon payment of an entry fee of  
73 seventy-five dollars, the assignee shall submit  
74 the assignment to the Superior Court for the  
75 judicial district in which the assignor resides or  
76 where the Connecticut Lottery Corporation is  
77 located for review and approval by the court. If,  
78 upon review of the assignment and accompanying  
79 affidavit, the court determines that the  
80 requirements of subsection (a) of this section  
81 have been met, the court shall approve the  
82 assignment.

83 Sec. 5. (NEW) No person may assign a lottery  
84 prize if (1) such person is liable for support  
85 under the provisions of section 52-362d of the  
86 general statutes, as amended, (2) such person is  
87 liable for any debt owed to the state under  
88 section 4a-12 of the general statutes, (3) such  
89 person who does not assign any prize payments  
90 would be subject to an immediate income tax  
91 liability for the value of the entire prize rather  
92 than annual income tax liability for each  
93 instalment when paid, as determined by a technical  
94 rule letter, revenue ruling or other public ruling  
95 of the Internal Revenue Service, (4) a court of  
96 competent jurisdiction issues a published decision  
97 that such person who does not assign any prize  
98 payments would be subject to an immediate income  
99 tax liability for the value of the entire prize  
100 rather than annual income tax liability for each  
101 instalment when paid, or (5) the Connecticut  
102 Lottery Corporation receives such letter or ruling  
103 from the Internal Revenue Service or a published  
104 decision of a court of competent jurisdiction and  
105 the corporation files such letter, ruling or  
106 decision with the Secretary of the State.

107 Sec. 6. (NEW) (a) The Connecticut Lottery  
108 Corporation may establish a reasonable fee for any  
109 administrative expenses associated with  
110 assignments made pursuant to section 4 of this  
111 act, including the cost to the Connecticut Lottery  
112 Corporation of any processing fee that may be  
113 imposed by a private annuity provider. The amount  
114 of the fee shall reflect the direct and indirect  
115 costs of processing the assignments by said  
116 corporation.

117 (b) The Connecticut Lottery Corporation shall  
118 be discharged of all further liability to the  
119 assignor upon payment of any lottery prize

120 pursuant to an assignment made in accordance with  
121 section 4 of this act.

122 STATEMENT OF LEGISLATIVE COMMISSIONERS: The first  
123 sentence in section 4(a) was rearranged to make it  
124 clear that the provisions of both sections 4 and 5  
125 apply. In the last sentence in section 4(a), the  
126 word "within" was changed to "no later than" to  
127 make it clear that the third day counts.

128 PS COMMITTEE VOTE: YEA 20 NAY 2 JFS-LCO C/R JUD  
129 JUD COMMITTEE VOTE: YEA 39 NAY 0 JFS-LCO

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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**FISCAL IMPACT STATEMENT - BILL NUMBER sHB 5512**

STATE IMPACT	See Explanation Below
MUNICIPAL IMPACT	None
STATE AGENCY(S)	Connecticut Lottery Corporation, Department of Revenue Services, Judicial Department

## EXPLANATION OF ESTIMATES:

The Connecticut Lottery Corporation (CLC) has permitted the assignment of lottery prizes under administrative regulations since 10/97. About 80 winners out of over 1100, have chosen to assign all or part of their annual payments since 10/97. The jackpots for these winners range from \$100,000 to over \$6 million. Prize assignment may be made for: (1) the entire remaining period of the annuity payments, (2) a portion of the remaining period, or (3) a portion of each annual payment.

Since 10/97 the Judicial Department has heard actions concerning lottery assignment as "quiet title actions." The fee for this type of action is \$185.

Based on data from other states, about 250, or 20% to 25%, of the approximately 1100 lottery winners currently receiving annuities can be expected to assign their prizes. In addition, 3 to 5 of the estimated 15 people in each future year who will win lottery prizes paid via annuities, can be expected to assign their prizes.

Lottery prize assignment results in an acceleration of General Fund revenue for Personal Income Tax

collections in the portion of a taxpayer's lottery prize that is assigned. Since the amount of lottery winnings that will be assigned, when the assignments will occur and the number of taxpayers involved is unknown, the gain cannot be determined.

The \$75 Judicial Department entry fee created by the bill is expected to result in a minimal General Fund revenue increase. The workload increase to the Judicial Department for reviewing assignment documents is expected to be handled within normal budgetary resources.

The bill permits the CLC to establish a reasonable fee to cover the administrative cost for assignment-related work. Under its 10/97 regulations, the CLC established a \$500 fee to cover these costs.

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#### **OLR BILL ANALYSIS**

sHB 5512

#### **AN ACT CONCERNING ASSIGNMENT OF LOTTERY WINNINGS**

**SUMMARY:** This bill:

1. establishes a procedure for the voluntary assignment of all, or some, of any lottery winnings paid in installments (currently, Lotto, Powerball, and some win-for-life instant games);
2. makes the Connecticut Lottery Corporation (CLC) immune from liability to the prize winner once it pays any lottery prize pursuant to a valid assignment; and
3. establishes a procedure for judgment creditors to collect from the lottery winning or other game winnings of judgment debtors.

EFFECTIVE DATE: October 1, 1998

#### **FURTHER EXPLANATION**

#### **Lottery Assignment**

To be valid, the bill requires the assignment to (1) consist of all or part of the prize the lottery winner (assignor) would otherwise be entitled to, (2) be written and executed by him, and (3) be accompanied by an affidavit sworn and signed by him.

The recipient of the assignment (assignee) must pay a \$75 entry fee and have the assignment reviewed and approved by the Superior Court in the judicial district where the assignor lives or the Connecticut Lottery Corporation is located. The court must approve any valid assignment after reviewing it and the accompanying affidavit.

### **Assignment Affidavit**

The bill requires the assignor to appear before a proper authority and sign and swear to an affidavit that he:

1. is of sound mind and not acting under duress;
2. has received independent legal, financial, and tax advice regarding the assignment;
3. understands that he will not receive the assigned portion of the prize during the assignment period;
4. has received a disclosure statement from the assignor; and
5. at the time of execution, received written notice from the assignee that he (the assignor) has three business days to cancel the assignment after it was signed.

### **Disclosure Statement**

The assignee must give the assignor a one-page statement written in at least 10-point bold type that states the:

1. assigned payment amounts and dates;
2. assignment purchase price;
3. discount rate, assuming daily compounding and

funding on the assignment date; and

4. amount of any origination or closing fees charged to the assignor.

### **CLC Fees**

The lottery corporation may establish a reasonable assignment-related administrative fee that includes processing expenses it incurs.

### **Exceptions**

No one may assign a lottery prize if:

1. he owes child support to the state;
2. he owes the state for the support of relatives for whom he is legally liable;
3. by doing so, pursuant to an Internal Revenue Service technical letter or public ruling or a published court decision, he would avoid paying taxes on the full value of the entire prize; or
4. the CLC receives such a letter, ruling, or decision regarding the winner and files it with the secretary of the state.

### **Post-Judgment Remedy**

By law, the clerk of the court in which a money judgment was rendered may issue an execution against any lottery or other game winnings due the judgment debtor. The bill requires the execution to be directed to the state comptroller or CLC president. (The state comptroller used to write lottery checks for some prizes. But since all annuities for making prize payments were transferred to CLC pursuant to PA 97-233, the state comptroller no longer writes any checks for lottery prize winnings.)

Before execution is issued, the (1) judgment creditor or his attorney must state the amount of the judgment and that it remains unsatisfied and (2) stay of enforcement and the right to appeal must have expired.

The bill authorizes the CLC to establish a reasonable fee for administrative expenses associated with executions, including any court costs it must pay. The fee must reflect direct and indirect processing costs.

## **BACKGROUND**

### **Child Support Obligations**

By law, anyone who applies for state aid assigns his right to present, past, or future support to the state. The Department of Administrative Services is responsible for collecting such debts. The court may also order child support payments to be made to the department.

### **Legally Liable Relative**

"Liable Relative" means the spouse of anyone receiving public assistance or aid, care, or treatment in a state humane institution. It also means the parent of any such person under age 18.

### **1996 Lottery Assignment Law**

PA 96-236 prohibited anyone from assigning lottery winnings except to (1) the estate of a deceased winner, (2) anyone entitled to such winnings as specified in an appropriate judicial order, or (3) the state for satisfaction of a delinquent child support obligation. The act was effective from June 6, 1996 until July 1, 1996 when it was repealed by PA 96-212.

## **COMMITTEE ACTION**

Public Safety Committee

Joint Favorable Change of Reference  
Yea 20      Nay 2

Judiciary Committee

Joint Favorable Report  
Yea 39      Nay 0