Director of Oregon Lottery - Emailed Testimony

From: Pack, Barry [mailto:barry.g.pack@state.or.us]
Sent: Thursday, September 29, 2016 9:45 AM
To: Rep Taylor <TaylorK@leg.state.or.us>
Subject: Follow up on Lottery prize withholding

Good morning Rep. Taylor and Amanda,

I wanted to follow-up with you on the reason why Lottery is comfortable with lowering the state tax withholding threshold to $1,500, but not lower, at this time. The quick answer is the ROI doesn't pan out. The longer answer is that the systems that govern payment of prizes and initiate withholding of taxes (and reporting of prize winnings as a tax liability) are aligned to federal requirements ($1,500) and are governed by the individual game code, not the overall gaming system or accounting code. Lowering the Oregon withholding from $5,000 to $1,500 requires the Lottery to change some of our internal tracking mechanisms and business processes, and will require marginal additional staff work – but all at an anticipated minimal fiscal that the agency can absorb without increasing budget. Lowering below $1,500 would mean we would have to engage all of our gaming vendors to change their code – an expensive proposition for the expected return.

In FY 15 as an example, there were more than 43,000 prizes won by players. Of that total, only 243 were between $600 and $1,500 with a maximum value of around $310,000. With 8% withholding, we would be withholding around $25,000. We would spend many times that amount in vendor charges to get the games to report out at the lower level, and that could be an ongoing expense for each new game release (it would be built into future game requirements, but could increase development costs if the vendors have to do this differently for Oregon. This is an unknown at this time, just a potential risk.)

For these reasons, Lottery will gladly support lowering the threshold from $5,000 to $1,500, but would prefer not to go any lower.

Please let me know if you have any questions.

Best,

Barry