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OPINION LETTER NO. 30-86

The Honorable Karen McCarthy  
Representative, District 40  
1111 Valentine Road  
Kansas City, Missouri 64111



Dear Representative McCarthy:

This letter is in response to your questions asking:

1. Are periodic payments of Missouri lottery prize winnings subject to state income and local earnings taxes after July 1, 1988 if the original prizes were won prior to July 1, 1988?
2. Are periodic payments of Missouri lottery prize winnings subject to state income tax withholding after July 1, 1988 if the original prizes were won prior to July 1, 1988?

Section 313.320.3, RSMo Supp. 1985, states in part:

No state income tax or local earnings tax shall be imposed upon any lottery game prizes which accumulate to an amount of less than six hundred dollars during a prize winner's tax year. Beginning July 1, 1988, all winnings or periodic payments made because of winning six hundred dollars or more shall be subject to state income and local earnings taxes. Beginning July 1, 1988, the state of Missouri shall withhold for state income tax purposes from a lottery game prize or periodic payment of six hundred dollars or more an amount equal to four percent of the prize.

The Honorable Karen McCarthy

We have carefully studied the above language and, frankly, we find it confusing and difficult to interpret. It is clear, however, that periodic payments made after July 1, 1988, because of Missouri lottery winnings of six hundred dollars (\$600.00) or more prior to July 1, 1988, are subject to state income and local earnings taxes.

The answers to other questions regarding the effect of this language are not so clear. Therefore, we recommend that the General Assembly consider enacting legislation more definitely expressing its intent with respect to the taxation of lottery winnings.

Very truly yours,



WILLIAM L. WEBSTER  
Attorney General