

SUBJECT: Deducting delinquent unemployment taxes from lottery winnings

COMMITTEE: Economic Development — favorable, without amendment

VOTE: 6 ayes — Oliveira, Yarbrough, Keffer, Seaman, Siebert, Van de Putte
0 nays
3 absent — Greenberg, Luna, Raymond

WITNESSES: For — none
Against — none
On — John C. Jennings, Texas Workforce Commission; Nelda Trevino, Texas Lottery Commission

BACKGROUND : The Texas Lottery Commission is required to deduct from the winnings of lottery players certain delinquent payments and fees owed to the state. These include delinquent child support payments, defaults on students loans, and delinquent sales taxes and other fees collected by the Comptroller's Office and the Texas Alcoholic Beverage Commission and, formerly, by the State Treasurer's Office, which was merged into the Comptroller's Office in 1996.

DIGEST: HB 566 would require the Texas Lottery Commission to deduct from lottery winnings delinquent payments due the Texas Workforce Commission. Like the other affected agencies, the Texas Workforce Commission would have to report individuals with delinquent accounts to the Texas Lottery Commission. The bill would also delete references to the state treasurer.
HB 566 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

SUPPORTERS SAY: HB 566 would help the state collect money it is owed. Since the Legislature authorized the Texas Lottery Commission in 1991 to withhold from lottery winnings certain debts to the state, the commission has collected over \$2.7

million in delinquent child support, defaults on student loans, and back taxes.

Delinquent unemployment taxes represent a money drain for the state, amounting to \$74 million since 1966. HB 566 would give the Texas Workforce Commission an additional tool to collect some of this money.

The state should pursue collection through whatever measures are at its disposal. The state pays unemployment benefits regardless of whether an employer is current on payments to the unemployment compensation fund. Employers who evade their unemployment taxes free-ride on other employers. HB 566 would make sure that lucky freeloaders share their lottery windfall.

If the balance in the unemployment compensation fund falls below a certain amount, the state must assess in addition to current taxes a deficit tax on all employers. Enhancing collection of delinquent unemployment taxes could help prevent the fund from falling below this floor.

The attorney general, comptroller, Texas Alcoholic Beverage Commission, Texas Higher Education Coordinating Board, and Texas Guaranteed Student Loan Corporation all report persons with delinquent accounts to the Texas Lottery Commission for the purpose of deducting outstanding monies from any lottery winnings. Allowing the Texas Workforce Commission also to report delinquent accounts to the Texas Lottery Commission would be consistent with the actions of other state agencies.

This system has worked well in the past. Adding one more small component to an established process would not unduly burden the lottery commission.

**OPPONENTS
SAY:**

HB 566 has a laudable objective but may actually create administrative problems. All winners of amounts in excess of \$599 must claim their prizes from the Texas Lottery Commission. The commission now screens winners for debts owed to five different state agencies. Before adding another agency to the list the commission should be given some direction about how to prioritize claims or apportion monies among the agencies. Most lottery

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winners do not hit the multimillion dollar jackpot, and their prize money may not cover all their debts.

NOTES:

The Senate companion bill, SB 1004 by Ellis, was filed on March 6 and as of yesterday had not yet been referred to committee.