



Town of Reading
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Notice to Applicants for Raffle & Bazaar Permits

Internal Revenue Code Section 3402(q) and the regulations there under require that information return (Form W-2G) must be filed for each person to whom a payor pays winnings from gambling if such winnings total \$600.00 (cash or equivalent) or more. This includes winnings from raffles and lotteries. In addition, when the proceeds exceed \$1,000. (after the price of the ticket is subtracted) the payor must withhold at the rate of 20%, even if the prize is other than cash. For example, if an automobile with a fair market value of \$10,000. is given as a prize, you must receive payment from the winner of \$2,000. before the vehicle may be presented to the winner. If the payor deducts less than the correct tax or fails to deduct any part of the tax when warranted, he/she could become liable for the tax. Gambling winnings are treated as payments by employer to employee for federal withholding tax purposes.

Forms W-2G are to be filed with the Internal Revenue Service Center on or before February 28 of the calendar year following the year in which the payment of winnings is made. They are transmitted by attaching to Form W-3G. Detailed instructions are provided with Form W-3G transmittal. Both forms are available at any Internal Revenue Service Office.