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## OLR Bill Analysis

### sSB 992

#### ***AN ACT CONCERNING DELINQUENT LOTTERY SALES AGENTS, WAIVER OF LICENSE RENEWAL FEES FOR CERTAIN CONNECTICUT LOTTERY CORPORATION EMPLOYEES AND DISCLOSURE OF THE NAME AND ADDRESS OF LOTTERY AND SPORTS WAGERING WINNERS.***

#### **SUMMARY**

This bill expands the Connecticut Lottery Corporation's (CLC) authority to collect delinquent lottery assessments. Specifically, the bill:

1. authorizes CLC to have the state withhold the state income tax refund of any taxpayer who (a) is a delinquent lottery sales agent or (b) assumed joint and several liability with the agent (i.e., "guarantor");
2. makes delinquency assessments a lien against the lottery sales agent's and guarantor's real or personal property; and
3. allows distraint (i.e., seizure) warrants to be levied against the property of delinquent lottery sales agents' guarantors.

The bill also expands eligibility for hardship waivers to include lottery sales agents with delinquent accounts on or after October 1, 2023, rather than just those whose delinquency assessments were subject to compounding interest and were outstanding on June 30, 2022.

The bill prohibits CLC from publishing the names, addresses, and photographs of lottery, sports gaming, and fantasy contest winners without their prior written consent and exempts these records from disclosure under the Freedom of Information Act (FOIA). Lastly, the bill explicitly requires key and occupational employees (see BACKGROUND) employed by CLC to annually renew their employee licenses, as existing law requires, but waives their annual license

renewal fees (§ 4).

EFFECTIVE DATE: October 1, 2023

## **§§ 1-3 — DELINQUENCY ASSESSMENT COLLECTION**

### ***Delinquency Assessments***

By law, lottery sales agents are delinquent when they fail to remit money due from their lottery ticket sales by the settlement dates established by CLC. The CLC president is responsible for making delinquency determinations and notifying the Department of Consumer Protection (DCP) commissioner. The DCP commissioner, in turn, must impose a penalty of 10% of the amount due or \$10, whichever is greater, plus interest of 1.5% per month or partial month from the due date to the payment date. The bill specifies that the (1) penalty and interest are calculated based on the principal amount due but unremitted and (2) penalty is effective when the agent's notice is delivered.

Current law refers to the penalty and interest as the delinquency assessment. The bill instead defines "delinquency assessment" as the (1) principal amount due but unremitted as of the stated past settlement date, (2) penalty imposed by the DCP commissioner, and (3) interest due and outstanding.

### ***Liens***

The bill makes delinquency assessments, as described above, a lien against the lottery sales agent's and guarantor's real or personal property (tangible or intangible). The lien applies for 20 years or until it is discharged by payment.

For liens against real property, the bill allows a lien certificate, signed by the commissioner or his or her representative, to be recorded on the land record in the town where the real property is located. For liens against personal property, the bill allows the lien certificate to be recorded in the secretary of the state's office. In either case, the lien is not effective against a bona fide purchaser or the interest of any qualified encumbrancer.

When the delinquency assessment has been satisfied, if any

interested party asks, the commissioner must file a certificate discharging the lien in the same office it was recorded. The commissioner, or his or her representative, may use an electronic signature on certificates filing or discharging these liens and town clerks must accept the signatures and record the certificates.

Under the bill, the attorney general can foreclose the lien by bringing an action in the Superior Court of the judicial district where the property is located. If it is located in two or more districts, the attorney general may file suit in either one. At the conclusion of the action the court can limit the redemption period, order the property sold, or issue any other equitable decree.

### ***Withholding Income Tax Refunds***

Under the bill, CLC must notify the Department of Administrative Services (DAS) commissioner when a person entitled to a state income tax refund is a delinquent lottery sales agent or guarantor. The Department of Revenue Services (DRS) commissioner must withhold the delinquent agent's or guarantor's state income tax refund up to the delinquency assessment amount when notified by the DAS commissioner.

The DRS commissioner must notify the taxpayer that he or she has a right to a hearing before a DAS-designated officer if he or she contests the validity or amount of the DAS commissioner's claim. Unless the person applies to DAS for a hearing within 60 days after the DRS commissioner issues the withholding notice, the commissioner must send the withheld money to the DAS commissioner who must, in turn, send it to CLC. If the delinquent agent or guarantor requests an administrative hearing, the DRS commissioner must remit the tax refund according to the hearing officer's decision or, if the decision is appealed to court, according to the court decision.

Any debts the agent or guarantor owes to the state, Connecticut Student Loan Foundation, or Connecticut Higher Education Student Loan Authority take priority over the lottery delinquency assessments, and tax refunds must be credited first against these debts.

The bill requires the DRS and DAS commissioners and CLC's president to make an agreement to credit income tax refunds against a lottery agent's delinquency assessments. The agreement must include procedures for CLC to notify the DAS commissioner about delinquencies and their amounts.

### ***Distraint Warrants***

Existing law authorizes the DCP commissioner, at the CLC president's request, to issue a distraint warrant against a delinquent lottery sales agent's real and personal property in the state. The bill allows the commissioner to also issue these warrants against the property owned by a delinquent lottery agent's guarantor. Existing lottery regulations already allow distraint warrants to be issued against property owned by the natural person guarantor of a delinquent lottery agent that is a business entity (Conn. Agencies Regs. § 12-568a-12(e)).

The bill also eliminates the authorization for constables to file these distraint warrants, thus limiting the officials who may do so to state marshals and CLC collection agents, which conforms to current CLC practice. It also makes a technical change.

## **§ 2 — HARDSHIP WAIVERS**

Under current law, only lottery sales agents whose delinquency assessments were subject to compounding interest and were outstanding on June 30, 2022, are eligible for hardship waivers. The law allows these agents to request the waiver from the DCP commissioner to reduce what they owe by recalculating the interest owed using simple interest.

Under the bill, sales agents with delinquent accounts on or after October 1, 2023, may apply to the CLC president for a hardship waiver to reduce the amount of interest owed. When applying for the waiver, they must pay any principal and penalties due as of the stated past settlement date; agents that fail to do so are ineligible for the waiver. If the CLC president determines that an undue hardship prevents the agent from paying what he or she owes in principal and penalties, he may enter into a payment plan that allows the agent to pay them over a

period of up to one year from the date the waiver is provisionally granted.

The bill authorizes the CLC president to reduce the amount of interest owed by the agent if he determines that doing so would be beneficial for the state. He must (1) establish procedures specifying requirements for these waiver applications and the availability of payment plans and (2) publish and maintain them on CLC's website. The bill prohibits any hardship waiver from resulting in a credit of any amount an agent previously paid.

### **§§ 5-7 — DISCLOSURE OF WINNERS' NAMES, ADDRESSES, AND PHOTOS**

The bill exempts from disclosure under FOIA the names and addresses of anyone who (1) redeems a winning lottery ticket, (2) claims or is paid a winning online or retail sports wager, or (3) is paid a fantasy contest prize. It also prohibits CLC from publishing these names and addresses on its website without the individual's prior written consent.

The law already prohibits CLC from publishing a lottery winner's photograph on its website without his or her prior written consent. The bill expands this prohibition to include the photograph of anyone who (1) claims or is paid a winning online or retail sports wager or (2) is paid a fantasy contest prize.

The bill also makes conforming changes, including eliminating a requirement that CLC remove a lottery winner's name from the list of winners published on its website within five days after receiving the person's request to be excluded.

### **BACKGROUND**

#### ***Key and Occupational Employees***

By law, a "key employee" is an individual with a specified position or an equivalent title associated with a master wagering licensee or a licensed online gaming service provider, online gaming operator, or sports wagering retailer. It includes (1) the president or chief officer or financial or compliance manager and (2) anyone who exercises control

over technical systems; has an ownership interest; or exercises enough control in, or over, a licensee as to require licensure in the DCP commissioner's judgment.

By law, an "occupational employee" is an employee of a master wagering licensee or a licensed online gaming service provider, online gaming operator, or sports wagering retailer.

***Related Bill***

sSB 971, § 1, favorably reported by the Public Safety and Security Committee, extends the gaming law's key employee licensure requirements to chief information officers and chief data security officers, and makes other minor changes.

**COMMITTEE ACTION**

Public Safety and Security Committee

Joint Favorable Substitute

Yea 25    Nay 0    (03/16/2023)