

Official Game Rules for the \$1,000,000 Taxes Paid Scratch-Off Lottery Game (NCEL Product # 057)

1. Game Overview

This is an instant-win scratch-off lottery game offered by the North Carolina Education Lottery (the “Lottery”). Tickets are sold at Lottery authorized retailers for the price printed on the ticket. The top prize level for this game is \$1,000,000. Each game ticket shall cost ten dollars (\$10.00). Odds of winning are 1 in 3.95. All prizes are subject to these Official Game Rules, which are incorporated by reference into every ticket sold. The game is governed by the laws of the state of North Carolina and the North Carolina State Lottery Act (N.C. Gen. Stat. § 18C-101 *et seq.*) and the Lottery’s rules, regulations, policies and procedures, which are all incorporated herein by reference.

2. How to Play

Remove the scratch-off coating from the designated play areas on the front of the ticket using a coin or fingernail. Compare the revealed symbols or numbers to the winning combinations shown in the prize legend on the ticket. A winning ticket must match the exact criteria for the prize claimed (e.g., three matching symbols, a specific symbol with a multiplier, or any other winning configuration described on the ticket). Only tickets printed by the Lottery’s authorized systems are valid. Any alteration, counterfeiting, or duplication voids the ticket.

3. Prize Structure and Payment

All prize winners must provide a valid Social Security Number or Taxpayer Identification Number before payment. All prizes over \$600 are reported to the IRS and state authorities on Form W-2G or equivalent. The Lottery makes no representations or warranties regarding the tax consequences of any prize and strongly recommends that winners consult a qualified tax advisor or accountant before claiming or spending any prize.

A. Top Prize Structure and Payment

The top prize amount shown on the ticket, in advertising, on the Lottery’s website, or in any promotional materials is the **estimated flat net amount the top prize winner will receive after applicable taxes**. The top prize includes a built-in “gross-up” calculated by the Lottery to cover the estimated federal and North Carolina state income tax liability attributable to the prize.

- **Example:** A \$1,000,000 prize means the winner receives a check or electronic transfer for an estimated amount of \$1,000,000 (net, or post-tax). This same prize has an estimated gross (or pre-tax) value of \$1,388,696.
- The gross-up amount is determined using the highest applicable federal marginal income tax rate and North Carolina state income tax rate in effect at the time the scratch-off game

is launched. The Lottery pays this estimated tax liability directly to the Internal Revenue Service and the North Carolina Department of Revenue on the winner's behalf.

- The top prize winner receives the full advertised flat prize amount with no deduction withheld from the prize for the estimated federal or North Carolina state taxes, to the extent covered by the gross-up.

The gross-up is an estimate only and is based on current tax law, rates, and the assumption that the winner is a resident of the state of North Carolina with no other income or special tax circumstances affecting the prize. The Lottery does not guarantee that the gross-up will cover the winner's actual total tax liability. The winner is solely responsible for:

- Any additional federal, state, or local taxes owed beyond the gross-up (including taxes resulting from the gross-up payment itself being treated as additional taxable income under IRS rules).
- Taxes arising from the winner's overall tax situation (e.g., other income, deductions, credits, alternative minimum tax, filing status, or changes in tax law after the prize is claimed).
- Any other taxes or levies not covered by the gross-up (e.g., local income taxes, gift taxes, or estate taxes).
- Any other debt setoff amounts not covered by the gross-up (e.g. outstanding child support payments, etc.)
- Any other taxes due to the winner not being a resident of North Carolina.

B. Prize Structure and Payment for Non-Top Prizes

All prize amounts—other than the top prize—which are shown on the ticket, in advertising, on the Lottery's website, or in any promotional materials is the **gross amount such prize winner will receive before applicable taxes**. Such prizes **do not** include a built-in "gross-up," and the prize winner will be responsible to cover the estimated federal and North Carolina state income tax liability attributable to the prize.

4. General Provisions

- Players must be 18 years of age or older (or the minimum age required by state law).
- The Lottery reserves the right to amend these rules or cancel the game for any reason, at any time.
- By purchasing a ticket or claiming a prize, the winner agrees to indemnify and hold the Lottery harmless from any tax liability, penalties, or interest arising from the winner's

individual tax circumstances. This disclaimer is part of the Official Rules and is binding on all players and winners.

- These rules constitute the entire agreement between the player and the Lottery. In the event of any conflict between these rules and any advertising or website content, these Official Rules control.
- All decisions by the Lottery regarding prize eligibility, validation, and payment are final and binding.
- The game is void where prohibited by law.

Full official rules, prize structures, and odds are available on the Lottery's website or by request from Lottery headquarters.