

# Withdrawal/Redaction Sheet

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	WAVES Appointment list (partial) (1 page)	02/07/00	P6/b(6), b(6)

### COLLECTION:

Clinton Presidential Records  
Domestic Policy Council  
Cynthia Rice (Subject Files)  
OA/Box Number: 15429

### FOLDER TITLE:

Child Support-Gambling [2]

rx23

### RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

2/8 Child support

Mtg w/ Treasury

Reporting Req

Will include certain  
house money  
job, job  
unusual bets  
sports

General gambling winnings

W2G required wherever  
\$600 winnings or more  
(minus wager)

only odd more than 300 to 1

Keno → does not include normal table games

W2G required

\$1500 (reflected by transactions  
amt of wage) by transaction

Bingo/slot

no 300 to 1 odds (req)

W2G required

\$1200 (not reflected  
by amt of wager)

[no 300 to 1 odds req]

\*last man  
not trigger  
inland  
w2g

Person gives info to gaming  
est and gaming est files  
the W2G

Penalties on gambling if  
not filed

Several years ago talk about tax  
on gambling to support  
welfare reform

part of  
contribution in  
1993 - tax on  
winnings

Tax offset

Only match against those  
who owe \$500 or more  
Aver amount \$7,000

IRS compliance

- check procedures
- go onsite to check procedures

On tax form (in April)

- people are supposed to
- report winnings
- report losses
- only losses related to winnings

all casino file

w2G w/wrong SSN

Casino subject to backup

withholding  $\rightarrow$  against

same indiv next time

Withholding

Bingo, Kenos slots - no w/h

Wagering under \$5,000 -

no w/h

Wagers over \$5,000 and

all odds greater than 300 to 1

$\rightarrow$  w/h 2890 over

Or over \$5,000 alone

in certain circumstances

ASK

- ① How many gambling w/h to one horse each year  
→ how many people  
→ # W2Gs with withholding
- ② # W2G filed  
[Krew 2.9 mi in 1996]

Other statutes related to Indian gaming tax nonIGRA

Liz Arky

- ① Transfers prefers  
not to overtly link to W2-G  
→ separate form ↳ concern about effect on compliance
- ② what to do in w/h if total winnings go than 28% income + CGE  
→ IRS trumps

Tax refund offset

→ tax collection down

\$700 mi. as

cost offset up \$1.3 bi



**Child Support and Gambling Winnings**  
**Q&A**  
**January 27, 2000**

Provident  
H. 11

**Q: Isn't the idea of intercepting gambling winnings going too far?**

**A:** By not paying their child support, deadbeat parents are renegeing on their financial responsibility to their children. This Administration has been tough on deadbeat parents and the results are that collections have nearly doubled since the President took office in 1992. Strong enforcement tools put in place since 1992 have strengthened our efforts to collect child support, such as allowing garnishing of wages, seizing of bank accounts, and taking of drivers and other licenses. In addition, based on the 1996 welfare reform law, state lottery winnings are withheld from parents who owe past due child support.

This proposal only builds on the process already in place to collect taxes on gambling winnings, which gaming establishments already report for certain activities and retain a portion of the winnings in some circumstances for tax purposes. This proposal would only require that gaming establishments also check if an individual who is already submitting information for tax purposes because their winnings exceed a certain amount (\$600 to \$1,500 depending on the type of gambling) ~~owe child support~~. If they do owe child support, winnings would be retained for the children of the gambler. This proposal would increase child support collections to families by \$348 million over five years and save the federal government \$183 million over the same period.

**Q: Exactly what gambling activities are covered by this?**

**A:** Again, our proposal follows the IRS rules for reporting. The IRS already requires information on winnings depending on the type of gaming. For example, if slot machine's winnings exceed \$1,200 an individual has to fill out a W-2G at the winnings window. Our proposal would only require that a few pieces of information from the W-2G -- the persons name, social security number and amount of winnings -- be transmitted to a secure internet site where it would be matched against updated HHS Tax Refund Offset Information on parents who owe child support. The match inquiry would report back: 1) there is no match and the individual does not owe past due child support; 2) the individual owes past due child support which exceeds the amount of the individual's winnings, therefore, the entire amount of winnings should be retained; or 3) the individual owes child support but the amount does not exceed the amount of winnings; therefore, only the amount of child support owed should be retained.

In addition to slot machine winnings above \$1,200, IRS rules require that a W-2G be filled out for: Keno winnings above \$1,500, horse and dog racing and other wagering transaction (sports betting) winnings above \$600.

**Q: Does this apply to gaming establishments on Indian reservations?**

**A:** Yes.

**Q: Will there be an opportunity for casinos to provide input on how to implement these collections?**

A: Yes, the Administration would like to work with the casinos to ensure that the procedure is the least burdensome and most efficient as possible.

**Q: What is the enforcement mechanism if the casinos refuse to comply with the procedures?**

A: The Administration is still exploring methods of ensuring compliance with this plan.

**Q: For what circumstances do gaming establishments currently retain a portion of winnings for tax purposes?**

A: Gaming establishments already retain a portion of winnings in certain circumstances. For horse and dog racing, gaming establishments withhold 28 percent of winnings that are over \$5,000 and beyond 300 times the amount wagered. Also, if a person does not report their Social Security number 31 percent of their winnings are retained.

**Q: Besides intercepting gambling winnings, what other child support proposals is the Administration proposing?**

A: To collect more child support from fathers who can pay, the Administration's FY 2001 Budget will include several new initiatives to further crackdown on parents who owe child support and can afford to pay. These initiatives (including intercepting gambling winnings) will collect nearly \$2 billion more over five years in support for children who need and deserve the support of both parents by:

- Booting the Cars of Deadbeat Parents. This will take nationwide a policy adopted in Virginia that immobilizes vehicles owned by deadbeat parents until they begin to pay what they owe. During the pilot phase, this initiative collected an average of \$5,000 from each deadbeat parent. This new tool will enable every state to collect more child support; there will be safeguards to ensure that those legitimately trying to pay are not targeted.
- Denying Passports to Parents Who Owe \$2,500 or More in Child Support. This proposal will deny passports to parents owing more than \$2,500 in child support. This expands the current passport denial program, which rejects passport applications or renewal requests if child support arrearages exceed \$5,000, and currently results in 30-40 denied passports per day. Rejected parents often pay child support immediately in order to obtain their passports.
- Prohibiting Medicare Participation by Providers Owing Child Support. This bars doctors and other health providers who owe child support from becoming Medicare providers.
- Requiring More Frequent Updating of Child Support Orders. This proposal will require states to review support orders every three years for families receiving TANF and adjust

them accordingly. New orders reflecting parents' updated salary information will bring more child support to children who need it.

The Administration's budget will also contain a proposal that will ensure that more child support goes directly to families. Current child support distribution rules are complicated, and often result in government, not families, keeping child support monies paid by the father. Today's proposals will enable states to simplify distribution rules and provide incentives to states that pass through more child support payments directly to families. In states that adopt the new options, families that have left welfare will be able to keep all the child support paid by the noncustodial parent; families still working their way off welfare will be able to keep up to \$100 a month. These proposals will create a clearer connection between what a father pays and what his family gets, giving parents more reason to cooperate with the child support system.

**Q: Isn't booting a car too harsh? How is a noncustodial parent supposed to pay their child support if they can't get to work?**

A: Absolutely not. Despite record child support collections, there are still too many parents who flagrantly ignore their obligations to their children. Clearly, the punishment meets the crime. By not paying their child support, deadbeat parents are reneging on their financial responsibility to their children. The booting of vehicles will be used against the worst offenders – those who owe more than \$1,000 in past due support and have thumbed their noses at the state's previous attempts to collect. Even so, safeguards will be required to take extra care not to wrongfully embarrass anyone through administrative oversight or error. In Virginia's pilot program, parents paid \$5,000 on average in child support once their car was booted. Overall, we estimate that requiring states to have a policy in place to boot deadbeat's cars will increase child support collections to families by \$183 million nationwide over five years.

**Q: How does the process work to boot cars of deadbeats who owe child support?**

A: The deadbeat parent must be at least \$1,000 in past due child support and have a current support obligation in order for the state to consider booting his car. Current law already requires that due process procedures be in place before liens are established and executed for purposes of child support enforcement. Once a lien has been filed, the state child support agency will send a notice of intent to the non-custodial parent warning them of the action. Once the car has been booted by the sheriff or police department, the state child support agency must reach a payment agreement at which point the boot may be removed from the vehicle.

Currently, booting is occurring statewide in Virginia. As part of a pilot program in Fairfax County, Virginia, 70 cars were booted, garnering on average over \$5,000 from each deadbeat parent between March 1998 and December 1999. In addition, counties in Michigan and New Jersey are also using the car boot to strengthen their child support efforts.

**Q: What are the new child support numbers released this week?**

A: Since taking office, this Administration has made child support enforcement a top priority, and those efforts are paying off for children across America. New figure released by the Department of Health and Human Services show that child support collections have nearly doubled since the President took office, from \$8 billion in 1992 to an estimated \$15.5 billion in 1999. Moreover, new figures show that a record \$1.3 billion of these collections came from seizing federal income tax refunds for tax year 1998 – again almost doubling the amount collected since 1992.

● Eugenia Chough

02/07/2000 04:35:58 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP, J. Eric Gould/OPD/EOP@EOP

cc:

Subject: WAVES Appt. U65670 Confirmation for CHOUGH, EUGENIA

Hopefully I'll be back from Urban Institute briefing by the time this mtg starts, but if not, here's WAVES info for NIGC/HHS mtg (I doubt Treasury folks will come, but I saved them into g:ricelwaves, so it was just easier to load this file).

----- Forwarded by Eugenia Chough/OPD/EOP on 02/07/2000 04:34 PM -----



WAVES\_CONF@PMDF.EOP.GOV

02/07/2000 04:33:18 PM

Record Type: Record

To: Eugenia Chough/OPD/EOP

cc:

Subject: WAVES Appt. U65670 Confirmation for CHOUGH, EUGENIA

---

ADDRESSEES: EUGENIA\_CHOUGH

SUBJECT: WAVES Appt. U65670 Confirmation for CHOUGH, EUGENIA

FROM: WAVES OPERATIONS CENTER - ACO: P6/(b)(6), b(7)e

Date: 02-07-2000

Time: 16:29:13

This message serves as confirmation of an appointment for the visitors listed below.

Appointment With: CHOUGH, EUGENIA  
Appointment Date: 2/9/00  
Appointment Time: 4:00:00 PM  
Appointment Room: 211  
Appointment Building: OEOB  
Appointment Requested by: CHOUGH EUGENIA  
Phone Number of Requestor: 65566

WAVES APPOINTMENT NUMBER: U65670

If you have any questions regarding this appointment, please call the WAVES Center at 456-6742 and have the

# Withdrawal/Redaction Marker

## Clinton Library

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001. email	WAVES Appointment list (partial) (1 page)	02/07/00	P6/b(6), b(6)

**This marker identifies the original location of the withdrawn item listed above.  
For a complete list of items withdrawn from this folder, see the  
Withdrawal/Redaction Sheet at the front of the folder.**

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**COLLECTION:**

Clinton Presidential Records  
Domestic Policy Council  
Cynthia Rice (Subject Files)  
OA/Box Number: 15429

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**FOLDER TITLE:**

Child Support-Gambling [2]

rx23

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appointment number listed above available to the  
Access Control Officer answering your call.

\*\*\*\*\*  
TOTAL NUMBER OF NAMES SUBMITTED FOR ENTRY : 8  
TOTAL NUMBER OF NAMES OF CLEARED FOR ENTRY: 8  
\*\*\*\*\*

ASKEY, ELIZABETH  
BOURDETTE, MARY  
DAVIE, BRUCE  
HULL, THOMAS  
LEGLER, PAUL  
PARKER, EMIL  
QUIGLEY, CHRISTY  
SMOLKIN, AUDREY



P6/B6

● Eugenia Chough

02/07/2000 03:52:26 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Lynn G. Cutler/WHO/EOP@EOP, Adrienne C. Lavalley/WHO/EOP@EOP, Cynthia A. Rice/OPD/EOP@EOP, J. Eric Gould/OPD/EOP@EOP

Subject: NIGC/HHS mtg on child support gaming

We would like to have a meeting to discuss non-IGRA statutory alternatives on **Wednesday, 2/9 at 4pm in room 211, OEOB.**

So here is the sequence of CS gaming meetings we'll be having over the next 2 weeks:

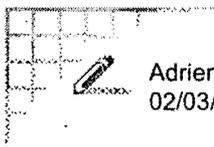
- Tuesday, 2/8, 5pm, room 211, meeting with Treasury (I have cleared Liz, Bruce, Tom, Mary, Christy, Paul, Emil, Audrey)
- Wednesday, 2/9, 4pm, room 211 meeting with NIGC, HHS, et. al. to talk about alternative legislative options. (Anyone cleared to 2/8 meeting will be cleared into this one. Adrienne will clear NIGC folks. **Other attendees should send me DOB and SSN as soon as possible.**)
- Tuesday, 2/15, 2pm, room 472, meeting with NIGA (Adrienne will clear NIGA folks, Paul, Emil, Mary, Christy, Audrey)

Thanks,  
Genie

Message Sent To:

---

Broderick Johnson/WHO/EOP@EOP  
Joel K. Wiginton/WHO/EOP@EOP  
Taneesha J. Johnson/WHO/EOP@EOP  
Mark D. Magana/WHO/EOP@EOP  
Karen Robb/WHO/EOP@EOP  
Mary L. Smith/OPD/EOP@EOP  
Barbara Chow/OMB/EOP@EOP  
Jennifer E. McGee/OMB/EOP@EOP  
Daniel J. Chenok/OMB/EOP@EOP  
Lauren B. Steinfeld/OMB/EOP@EOP  
Jack A. Smalligan/OMB/EOP@EOP  
Michele Ahern/OMB/EOP@EOP  
mbourdet@os.dhhs.gov @ inet  
cquigle1@os.dhhs.gov @ inet  
eparker@acf.dhhs.gov @ inet  
plegler@acf.dhhs.gov @ inet  
asmolkin@os.dhhs.gov @ inet  
elizabeth.askey@do.treas.gov @ inet



Adrienne C. Lavallee  
02/03/2000 01:27:48 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP, Mary L. Smith/OPD/EOP@EOP

CC:

Subject: National Indian Gaming Assoc Mtg.

As you know, NIGA is the nongovernmental group. Lynn has scheduled a mtg with them on Tues, 2/15 at 2 pm in 472. I hope that this works with your schedules. Pls let me know if there is a problem as Lynn would like you to attend. Thanks

Broderick

Shelby Berkley  
→ not interested in how to make it work  
MS - not as concerned

● Eugenia Chough 02/01/2000 12:46:06 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP, J. Eric Gould/OPD/EOP@EOP  
cc:  
Subject: Senate update -- Re: Meeting on Child Support Gaming

----- Forwarded by Eugenia Chough/OPD/EOP on 02/01/2000 12:43 PM -----

 Joel K. Wiginton 02/01/2000 12:40

Record Type: Record

To: Eugenia Chough/OPD/EOP@EOP  
cc: Broderick Johnson/WHO/EOP@EOP, Taneesha J. Johnson/WHO/EOP@EOP  
bcc:  
Subject: Re: Meeting on Child Support Gaming 

I won't be able to make it to the 2:00, because I have to be up on the Hill for a 2:30 vote.

Here's a brief update on Senate side stuff. I made calls (some along with HHS) to the Nev. and NJ Senators and Cambell and Inouye. Most folks just wanted more information and wanted to digest the material for a while -- I assume they wanted to check with the various constituencies in their states and get their opinions on the initiative. Senator Reid's staffer, however, called back with a fairly adamant objection to the initiative. His objections were not so much substantive as process, but we'll/I'll have to get back to him in the near future. The one consistent comment from all the offices I spoke to is that we must reach out to the industry asap to get their input on the initiative. I assume that input may be equal to their advocating that we drop the initiative, but nonetheless I think it's imperative that we bring in the casinos and gaming folks soon.

Let me know if I'm assigned any tasks of the meeting. Thanks, Joel

Eugenia Chough 01/28/2000 06:42:12 PM

● Eugenia Chough

01/28/2000 06:42:12 PM

Record Type: Record

To: Joel K. Wiginton/WHO/EOP@EOP  
cc:

Things we could do - possibly

- (1) not apply to small gambling establishments
- (2) exempt tribal gaming (1290)

- ① Where we are
  - structure of proposal
  - consultations to date
- ② Next steps
  - consultations <sup>industry</sup> tribes
  - drafting of proposal
- ③ closures
  - not re-opening Indian Gaming Regulatory Act

① National Indian Gaming Com (our people)

- Sit down with them first → met next Wed / Thurs
- Lynn will call them → get their lawyers working

9/11/05

\*\* → HHS to ask lawyers to find way to draft this w/o opening Indian Gaming Regulatory Act

② Feb 23<sup>rd</sup> Tribes in D.C. NCAI

③ Circulate Q&As to those at this mtg → avoid to needed.

④ Sit down w/ Treasury → first → be clear on current IRS rules and what our proposal is

EG to call Letra

⑤ Small gambling industry + tribes → what are priorities



Cynthia A. Rice

01/27/2000 05:34:04 PM

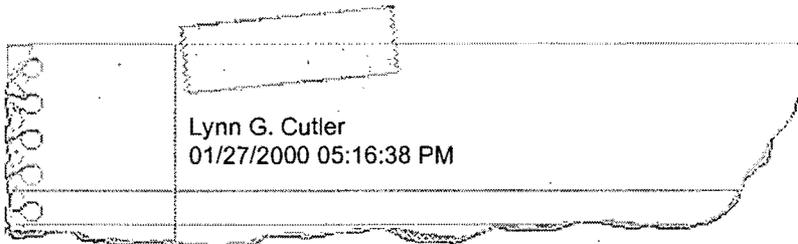
Record Type: Record

To: Lynn G. Cutler/WHO/EOP@EOP  
cc: See the distribution list at the bottom of this message  
bcc: Records Management@EOP  
Subject: Re: Gambling child support initiative

The gaming establishment would use the few pieces of information from the tax form (the W-2G) that those with large winnings already have to fill out at the winnings window -- the person's name, social security number and amount of winnings. These data would be transmitted to a secure internet site (thus a computer and a special password is needed) where it would be matched against updated a national database of parents who owe child support. The match inquiry would report back: 1) there is no match and the individual does not owe past due child support; 2) the individual owes past due child support which exceeds the amount of the individual's winnings, therefore, the entire amount of winnings should be retained; or 3) the individual owes child support but the amount does not exceed the amount of winnings; therefore, only the amount of child support owed should be retained.

I hear your point about not opening the National Indian Gaming Act. We'll get HHS working on that.

Lynn G. Cutler



Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP  
cc: See the distribution list at the bottom of this message  
Subject: Re: Gambling child support initiative

How will the gaming establishments know who these people are that are delinquent? Is there a national registry on computer? I really don't know--I think the principle is right--am not sure how it works. Indian tribes will argue their sovereignty and against opening the gaming legislation that governs them. If this can be done without opening National Indian Gaming Act, would be critical.

Message Copied To: \_\_\_\_\_



Cynthia A. Rice

01/27/2000 04:59:37 PM

Record Type: Record

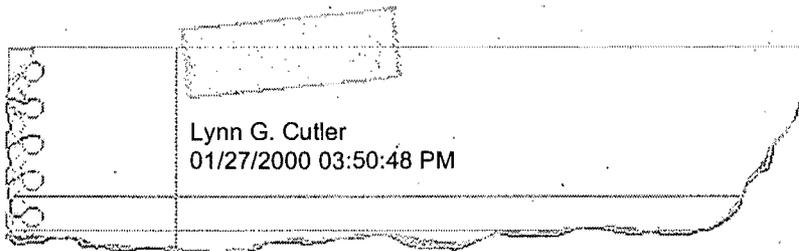
To: Lynn G. Cutler/WHO/EOP@EOP  
cc: See the distribution list at the bottom of this message  
bcc: Records Management@EOP  
Subject: Gambling child support initiative 

Lynn -- I think when we have further consultations with folks, we will be able to alleviate many concerns. With the help of WH Leg Affairs and HHS, we have already provided information to respond to questions from the Hill and would like with yours and Mary's help to set up meetings with tribes and with the gaming industry as we begin to draft legislative language.

This proposal would not take any revenues from tribes or from gaming establishments (you mention below that tribes are already mandated to spend their revenues on health, education and welfare of their members). Instead, individuals with large gambling winnings (for example, more than \$1,200 at the slot machines) who are delinquent in their child support payments will not be able to take home all of their winnings -- some or all of their winnings will go to their children instead. We have had in place a similar policy for lottery winnings since 1996. Both tribal and non-tribal gaming establishments already withhold funds from large winnings for taxes.

Why don't I arrange for us to get together internally early next week to share the feedback to date and plan next steps on consultation? I expect the tribes and the gaming industry to have helpful suggestions we could incorporate into legislative language we would send to Congress in the coming months.

Lynn G. Cutler

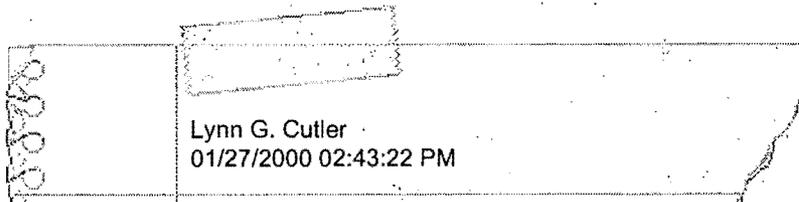


Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Cynthia A. Rice/OPD/EOP@EOP  
cc:  
Subject: Gambling initiative

I thought this was an NEC initiative. We have to meet and fix this.

----- Forwarded by Lynn G. Cutler/WHO/EOP on 01/27/2000 03:50 PM -----



Record Type: Record

To: Charles M. Brain/WHO/EOP@EOP, Maria Echaveste/WHO/EOP@EOP

cc: See the distribution list at the bottom of this message

Subject: Gambling initiative

I suppose you know by now that the announcement that the President made yesterday on child support recovery and gambling revenues is a huge problem where Indian gaming is concerned. The tribes are already mandated to spend their revenues on health, education and welfare of their members. They also have to negotiate compacts with their states and have many more restrictions and depletion of their revenues than other gaming entities. We have several friends on the Hill who are going to be very upset over this, and, not for you to worry about, we issued this without consultation with the tribes, which violates our own executive order. I'm hoping we can get a meeting together on this soon and fix it.

Message Copied To:

Gene B. Sperling/OPD/EOP@EOP  
Melissa G. Green/OPD/EOP@EOP  
Marjorie Tarmey/WHO/EOP@EOP  
Mary L. Smith/OPD/EOP@EOP  
John Spotila/OMB/EOP@EOP

Message Copied To:

Maria Echaveste/WHO/EOP@EOP  
Marjorie Tarmey/WHO/EOP@EOP  
Bruce N. Reed/OPD/EOP@EOP  
Eric P. Liu/OPD/EOP@EOP  
Anna Richter/OPD/EOP@EOP  
Mary L. Smith/OPD/EOP@EOP  
J. Eric Gould/OPD/EOP@EOP  
Charles M. Brain/WHO/EOP@EOP  
Broderick Johnson/WHO/EOP@EOP  
Joel K. Wiginton/WHO/EOP@EOP  
John Spotila/OMB/EOP@EOP  
Barbara Chow/OMB/EOP@EOP

# FAX

Date 1-26-00

Number of pages including cover sheet 7

TO: Eric Gould  
DPC

FROM: Paul K. Legler  
Assistant Commissioner  
Federal Office of Child  
Support Enforcement

Phone  
Fax Phone 456 - 7431

Phone 202-401-5373  
Fax Phone 202-260-4668

CC:

REMARKS:  Urgent  For your review  Reply ASAP  Please Comment

**DRAFT**

DRAFT 2

August 3, 1999

**Child Support Enforcement Intercept of Gaming Proceeds****The Proposal***Not For Distribution*

The Personal Responsibility and Work Opportunity Act of 1996 (PRWORA) changed Title IV-D of the Social Security Act to require States to establish expedited administrative procedures to collect child support arrearages by intercepting or seizing payments from judgments, settlements and lotteries. For the first time there was a clear Federal mandate that States stop individuals owing child support from receiving lottery winnings and seize their winnings without having to obtain a judicial restraining order. Lotteries, especially State run lotteries, are very big business second only to Casinos in terms of revenues. In 1997, State lotteries had \$34 billion in sales, without including money from State involvement with electronic gaming devices such as Keno and Poker video machines.

This paper proposes that Congress amend Title IV-D to require the intercept of all gambling winnings. As large as the State lottery business is, it is equal to only about 5% of the total amount of money flowing through U. S. commercial games. This amount, known as the U. S. Gross Annual Wager (GAW) or "handle" in the gaming industry, was nearly \$638.6 billion in 1997. The gaming industry kept approximately \$50.9 billion of this as Gross Gaming Revenue (GGR) or "win." The "win" is the source of gambling profits, employee salaries, administrative and overhead expenses as well as a variety of payments to Federal and State Governments in the form of payroll, corporate and excise taxes. This \$50.9 billion represents more than \$1 out of every \$10 of expenditures on leisure goods, services and activities in this country and that does not include spending by gamblers on hotels, food, transportation and other expenses.

A 1997 industry publication reported that if the \$47.6 billion 1996 GGR was compared to large scale American Corporate business, it would rank 11<sup>th</sup> in the 1996 Forbes Sales 500 behind AT&T (\$2.2 billion) and ahead of Texaco (\$44.6 billion.) Gambling is truly a favorite American pastime. A recent Gallup poll reported that 57% of Americans purchased lottery tickets in the previous year and 31% gambled in a casino. The poll reported that men tend to gamble more than women but there are few economic stereotypes. Seventy-five percent of those earning at least \$75,000 annually take part in some form of gambling, while 63% of those earning less than \$25,000 gamble. Seventy-two percent of college graduates gamble compared to 61% of those who did not complete high school.

What does this American infatuation with gambling have to do with child support enforcement? In order to consider that we need to look at the difference nationally between the "handle" and the "win." In 1997 this difference - \$587.7 billion (92% of the handle) - represented all the money paid out to American gamblers at commercial gaming locations. The player payout percentage is only about 50% for most State lotteries. Thus, approximately \$17 billion was paid out to State lottery winners in 1997.

DRAFT 2

DRAFT

August 3, 1999

The payout percentages are much higher for most commercial forms of gambling - about 90% for the industry as whole and about 96% for casinos. For example, Keno payouts vary from around 68% to 75%, horse racing about 79%, slot machines from 88% to 96%, video poker machines from 95% to 97% while blackjack and other card games payout up to 99.5%. These higher payouts would greatly expand the opportunities for child support agencies to intercept or seize amounts for arrearages.

American casinos took in over 70% of the 1997 national "handle." In addition to the Indian gaming casinos and the "destination" casinos in Nevada and New Jersey, there are small stakes casinos in South Dakota and Colorado and nearly 100 riverboat and dockside casinos in Iowa, Illinois, Mississippi, Louisiana, Missouri and Indiana. Nevada has approximately 430 full-scale casinos and 1,980 slot only casinos. New Jersey has 14 casinos. Indian gaming, including both casinos and other sites such as bingo parlors, brought in about 12% of the handle, mostly from the tribes' 260+ casino operations. Horse racing at 150 tracks in 43 States took in approximately 2.4% of the national handle.

The long established Nevada and New Jersey sites are known as "destination" casinos because they are generally tourist oriented resort sites with multiple recreational opportunities for families. People come from all over the country to visit these sites. On the other hand most of the "new jurisdiction" casinos are different. Most of their visitors come from within a 100-mile radius on day trips. Their customers are for the most part single-purpose visitors and concentrate their efforts on gaming rather than on other tourist-style activities.

Electronic Gaming Devices or Video Lottery Terminals such as Video Poker and Keno present challenges due to the sheer number of locations involved. Many States now allow machines in convenience stores, restaurants, bars, hotels etc. However, this market segment accounts for only about 2% of the national handle.

The vast amount of money being paid out to gamblers, nearly \$600 billion annually, makes commercial gaming a critical target for child support intercept activity. However, obviously most of the payouts are too small to justify organized activity to identify or seize the payout. Slot machines account for nearly 60% of all gambling at casinos. A report by the Nevada Gaming Commission for FY 1998 showed that 64.3% of the statewide "win" came from slots. Quarter (25<sup>+</sup>) slots alone made up 30.1% of the statewide "win." Most payouts from this activity would be for small amounts.

The paper therefore proposes that mandatory identification of child support obligors and seizure of their gambling winnings be set at the relatively high level where it is currently necessary to report specific winnings to the IRS on Form W2-G, Certain Gambling Winnings. The reason this limit was chosen for the proposal is the ease of implementation for payers of winnings. At that point, the gambling establishment already has to have a method in place to identify the winner to ensure that the W2-G can be properly prepared and that the appropriate copies can be sent to the winner.

DRAFT 2

August 3, 1999

**IRS Rules on the Identification of and Withholding on Gambling Winnings**

The IRS divides gambling into three specific groups for purposes of determining whether a W2-G needs to be issued to the gambler and filed with the IRS and whether regular withholding needs to take place. The three types are:

1. Horse Racing, Dog Racing, JaiAlai, and Other Wagering Transactions not discussed later.
2. Sweepstakes, Wagering Pools, and Lotteries.
3. Bingo, Keno, and Slot Machines.

If a payer pays reportable gambling winnings, the payer must file Form W2-G with the IRS and provide copies to the winner. The following rules apply to reporting and regular withholding:

Type of Winning	W2-G Required?	Withholding Required?
Bingo and Slot Machines	If over \$1,200 not reduced by the wager amount.	No
Keno	If over \$1,500 reduced by the wager amount.	No
Horse Racing, Dog Racing, JaiAlai and Other Wagering Transactions.	If over \$600, reduced by amount of wager at the option of the payer, and more than 300 times greater than the amount wagered.	If over \$5,000 and 300 times greater than the amount wagered, withhold at 28% of gross proceeds – the amount of winnings less the amount of the wager
Sweepstakes, Wagering Pools, and Lotteries.	If over \$600, reduced by amount of wager at the option of the payer, and more than 300 times greater than the amount wagered.	If over \$5,000, withhold at 28% of gross proceeds – the amount of winnings less the amount of the wager

A second type of withholding called backup withholding must take place at 31% of the full amount of the reportable winnings (optionally reduced by the amount of the wager) when a player refuses to furnish a valid Taxpayer Identification Number.

The Indian Gaming Regulation Act requires that tribal gaming establishments follow the IRS rules for reporting and withholding on gambling winnings. The language of the act specifically reads:

"The provisions of title 26 ... concerning the reporting and withholding of taxes with respect to the winnings from gaming or wagering operations shall apply to Indian gaming operations conducted pursuant to this chapter, or under a Tribal-State compact ..., in the same manner as such provisions apply to State gaming and wagering operations."

DRAFT

DRAFT 2

August 3, 1999

**The Recommended Process - Electronic Linkages**

The proposed process for intercepting winnings from gaming for child support obligations uses the power and security of the Internet. The proposal is based on processes already in place in Rhode Island and Massachusetts for the intercept of insurance proceeds. The process could be totally automated for the majority of large operations and could be done by simple telephone dial-in by modem by smaller operations much as they already do for the approval of credit card transactions above a relatively small limit. The proposed process is detailed in the following chart:

<p>The Federal Office of Child Support Enforcement (OCSE) would establish a secure web-site using established internet security protocols.</p>
<p>The latest copy of the Federal Tax Offset File edited for the multi-state Financial Institution Data Match program would be maintained on the secure web-site.</p> <p>(This file is already created on a regular basis from the Federal tax and administrative offset file and is used in the multi-state financial institution data match process. The file contains the name, Social Security Number and arrearage amount for most child support obligors nationwide owing more than \$500.)</p>
<p>Access to this site would be available through assigned passwords and Secure Socket Layer (SSL) Encryption Technology. Additional security could be added if necessary by using digital ID's known as client certificates that specifically identify an initiating computer or server.</p> <p>(This 128-bit encryption technology is readily available on web browsers such as Microsoft Explorer and Netscape Communicator. It is the same security technology used by many banks, brokerage firms and on-line businesses to ensure the security of their transactions. The fact that an individual owes a child support debt and the amount owed is public information. However, many of the names submitted would not have child support arrearages. The process needs to have maximum security to avoid random browsing, general public access, and to ensure the confidence of the gambling industry in the total confidentiality of submitting the names of their customers to a government agency.)</p>
<p>Whenever a gambling establishment would be required by law to prepare a Form W2-G for a customer, the establishment's computer would automatically poll the internet site for the customers name and SSN and would furnish the system the amount of winnings. Smaller establishments would be able to use a computer and modem or a telephone and modem to reach the system. This would be as easy as approving credit card transactions.</p>
<p>If the system did not have a match between the winner and a child support obligation, the payout would be made as normal after tax withholding where appropriate.</p>
<p>If the system established a match with a child support obligor it would automatically inform the gambling establishment to retain an amount up to the full amount of the winnings or the amount of arrearages, whichever was smaller. This amount would be in addition to any required tax withholding because the winning would still have tax consequences for the winner. The system would provide an address for the appropriate State Disbursement Unit where the money would be sent. The system would also provide appropriate information for contesting the information after the withholding action by the casino.</p>

*These processes may be modified*

*may be modified*

DRAFT 2

DRAFT

August 3, 1999

The gambling establishment would retain the appropriate amount of money, in addition to any required tax withholding. A form developed by OCSE would be provided to the obligor informing the person of the amount intercepted for child support and the legal basis for the intercept. The form would include the address and telephone number information needed for contesting the intercept in the State where the system determined the obligation existed. No information would ever be provided in the notice about the custodial parent involved in the child support matter.

The establishment would forward the retained amount together with an OCSE developed information document within two days to the appropriate State Disbursement Unit at the address provided by the system.

A number of modifications could be made in this process to limits its scope or to make it more State or Federally oriented as determined appropriate.

- A secure web-site could be maintained by each State, containing the full Federal Tax Offset File. Alternately a Uniform Resource Locator (URL), i.e. web address, could be maintained by each State, which would then provide user transparent redirection to a single federally maintained web-site. The majority of gambling sites have local clientele. These businesses might be more comfortable submitting customers' names to their home State agency.
- All collections could be submitted to the gambling establishment's home State. The State Disbursement Unit would then be responsible for submitting interstate obligations to other States.
- Multi-state gambling corporations could choose to submit their withheld funds to a specific State. This would be much like their current ability to choose a State to send their new hire reports to. That State would then be responsible for forwarding funds to the appropriate States.
- All collections could be submitted to the Federal Government. They would then be redirected to the appropriate State. This might be more acceptable to the tribal governments. This could also be available only to tribal governments.
- The requirement could be limited to gambling establishments doing more than a designated amount of business.
- The requirement could be limited to casinos. They are responsible for over 70% of the total "handle" nationwide and are generally larger and more automated than other forms of gambling especially those depending on electronic gaming devices. State lotteries and pari-mutuel locations could also be included based on their high level of automation.

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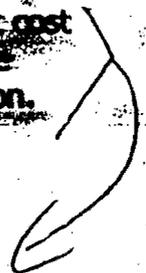
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**Revenue Estimates from Implementation of the Proposal**

The annual Federal revenue estimate for this proposal is \$41 million based on the Federal share of gambling winnings by obligors with TANF cases. There will be approximately 4.2 million records on the edited FIDM file when all states have completed reporting their cases. Approximately 55% of the SSN's on this file are related to TANF cases. This estimate is based conservatively on publicly reported 1996 industry gambling statistics and IRS tax statistics. Gambling has continued to grow at an annual rate exceeding 5% since the 1996 numbers were released. The project cost is estimated to be \$4.0 million in start-up costs including extensive out reach to the gaming industry. Annual maintenance costs are estimated to be around \$1.5 million.

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ADMINISTRATION FOR CHILDREN AND FAMILIES  
FISCAL YEAR 2001 LEGISLATIVE PROPOSAL

New Child Support Enforcement Technique

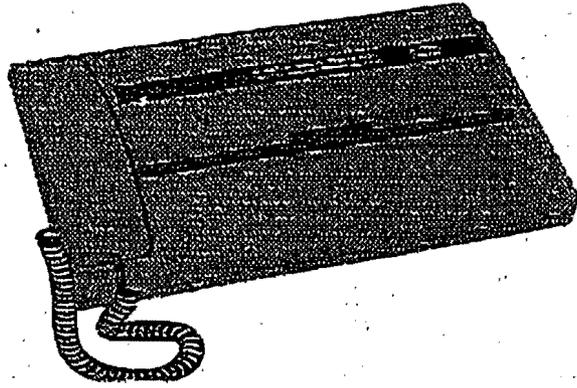
Require Child Support Enforcement Services for Intercept of Gaming Proceeds.

Current Law: Federal law, Section 466(a)(1)(A) of the Social Security Act, requires States to have in place laws and practices to insure that employers withhold from an individual's income amounts payable as support in cases subject to child support enforcement. "Income" has been broadly defined as any periodic form of payment due to an individual, regardless of source, including wages, salaries, commissions, bonuses, worker's compensation, disability, payments pursuant to a pension or retirement program, and interest. In addition, section 466(c)(1)(G) requires States to intercept or seize periodic or lump-sum payments from a State or local agency, including unemployment compensation, workers compensation, and other benefits, as well as intercepting judgments, settlements, and lotteries, where there is a child support arrearage, in order to secure assets to satisfy any current support obligation and the arrearage. States receive Federal Financial Participation at the current matching rate of 66%, for their use of these enforcement mechanisms.

Proposal: Broaden the intent and broaden the reach of current income intercept law to apply it to gambling earnings. Require States, as a condition of receiving Federal funds for Child Support Enforcement programs under title IV-D of the Social Security Act, to have and use laws to intercept gaming winnings that are already reportable to the IRS (including, but not limited to, winnings from casino gambling, horse and dog racing, jai alai, and keno), to offset child support arrears amounts. Continue to reimburse States for their expenses at the prevailing matching rate and make incentive payments to them for collections in cases involving gaming winnings.

Rationale: Federal policy, as reflected in current law, clearly seeks to assure that all reasonable efforts are made to collect support from individuals who have outstanding support obligations to their children. The proposal is a logical extension of existing statutory authorities encouraging States to capture available funds. The proposal builds on the mechanisms developed to implement other child support enforcement practices and would assume the same level of reporting obligation already established in Federal tax law. Therefore, the administrative impact on States would be minimized.

# FAX COVER SHEET



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Kansas News The Topeka Capital-Journal

Getting Around

Last modified at 12:30 a.m. on Friday, February 11, 2000

# Judge OKs sovereignty of Kickapoos

By ANDREA ALBRIGHT  
The Capital-Journal

**HORTON** — A federal judge Wednesday restricted government jurisdiction over Indian reservations, ruling in support of tribal sovereignty.

The court case followed an incident in April 1999 when Brown County sheriff's Deputy Randy Linck accompanied a tow truck driver to repossess a vehicle on the Kickapoo Nation reservation west of Horton. Later that month, the tribe filed a complaint in federal court asking a judge to decide whether county officials could enforce civil actions on sovereign land.

U.S. District Judge Sam A. Crow's decision will prohibit anyone but tribal police from physically repossessing vehicles, serving garnishment papers or delivering court orders for unpaid bills or back child support. However, civil processes may still be served by mail without being in violation of the tribe's jurisdiction.

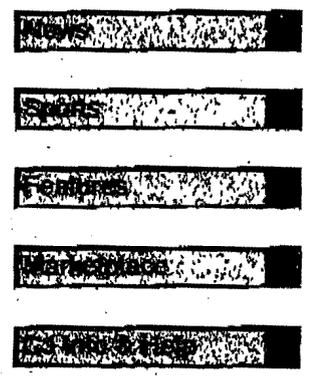
Brown County Sheriff Lamar Shoemaker said that as information came out during the hearing, he had come to agree with the judge's decision. But he said there may still be ways to serve many of the county's civil actions.

"We may attempt to serve off the reservation," he said. "But after investigating the deal, I agree with the fact that they retain their civil jurisdiction."

The judge's decision, however, explicitly states that a person or entity may file lawful actions in Kickapoo District Court or request the tribal court or tribal police to assist in the serving process.

Neither the plaintiff nor the defendant asked for damages or reimbursement in the case. The parties agreed to waive all rights of appeal.

Shoemaker said the decision wouldn't affect criminal pursuit or investigation, but he said he was glad the court had clarified the county's responsibility on the reservation.



## Breaking News

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can mean death to children, he said. The city jurisdiction is something that has been picked up for the last 130 years and nobody knew it was wrong until it was discovered here lately."

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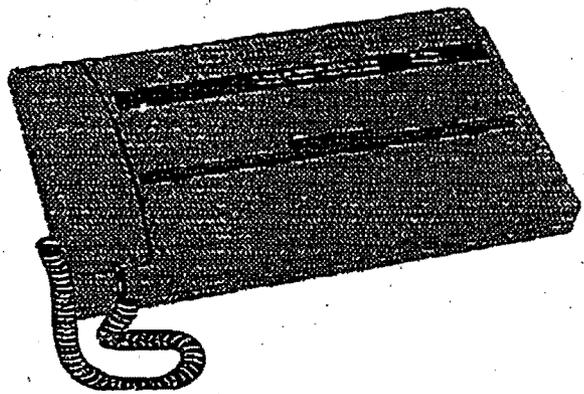
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# An Act for the Admission of Kansas Into the Union

## PREAMBLE

WHEREAS, The people of the territory of Kansas, by their representatives in convention assembled, at Wyandotte, in said territory, on the twenty-ninth day of July, one thousand eight hundred and fifty-nine, did form to themselves a constitution and state government, republican in form, which was ratified and adopted by the people, at an election held for that purpose, on Tuesday, the fourth day of October, one thousand eight hundred and fifty-nine, and the said convention has, in their name and behalf, asked the congress of the United States to admit the said territory into the union as a state, on an equal footing with the other states; therefore,

*Be it enacted by the senate and house of representatives of the United States of America in congress assembled:*

§ 1. Admission; boundaries; Indian title. That the state of Kansas shall be, and is hereby declared to be, one of the United States of America, and admitted into the union on an equal footing with the original states in all respects whatever. And the said state shall consist of all the territory included within the following boundaries, to wit: Beginning at a point on the western boundary of the state of Missouri, where the thirty-seventh parallel of north latitude crosses the same; thence west on said parallel to the twenty-fifth meridian of longitude west from Washington; thence north on said meridian to the fortieth parallel of latitude; thence east on said parallel to the western boundary of the state of Missouri; thence south with the western boundary of said state to the place of beginning: *Provided*, That nothing contained in the said constitution respecting the boundary of said state shall be construed to impair the rights of person or property now pertaining to the Indians of said territory, so long as such rights shall remain unextinguished by treaty

between the United States and such Indians, or to include any territory which, by treaty such Indian tribe, is not, without the consent of such tribe, to be included within the territorial limits or jurisdiction of any state or territory; but all such territory shall be excepted out of the boundaries, and constitute no part of the state of Kansas, until said tribe shall signify their assent to the president of the United States to be included within said state, or to affect the authority of the government of the United States to make any regulation respecting such Indians, their lands, property, or other rights, by treaty, law, or otherwise, which it would have been competent to make if this act had never passed. [Act Jan. 29, 1861, ch. 20, § 1, 12 Stat. 126.]

## CASE ANNOTATIONS

1. Section considered in determining control of Ft. Leavenworth military reservation. *Clay v. The State*, 4 K. 49.
2. Taxation of Indian lands by state government, recognizing Indian title. *Blue-Jacket v. The Commissioners of Johnson County*, 3 K. 299. Reversed; *The Kansas Indians*, 72 U.S. 737, 18 L.Ed. 667.
3. Kansas accepted admission on condition that Indian rights remain unimpaired. *Parker v. Winsor*, 5 K. 362, 367.
4. Taxation; Indian lands; primary disposal of soil; federal laws govern. *Douglas Co. v. Union Pac. Ry. Co.*, 5 K. 615, 624.
5. Taxation of lands granted to railroad company considered. *Kansas Pacific Ry. Co. v. Culp*, 9 K. 38, 47. Reversed; *Railway Co. v. Prescott*, 83 U.S. 603, 21 L. Ed. 373.
6. Indian lands, when taxable and alienable, considered; government patents. *Comm'rs of Franklin Co. v. Pennock*, 18 K. 579. Affirmed; *Pennock v. Commissioners*, 103 U.S. 44, 26 L. Ed. 367.
7. Indian lands held under patents not exempt from state taxation. *Comm'rs of Franklin Co. v. Pennock*, 18 K. 579. Affirmed; *Pennock v. Commissioners*, 103 U.S. 44, 26 L. Ed. 367.
8. Discussed; residents on lands ceded to United States may not vote at precincts established prior to cession. (Dissenting opinion.) *Herken v. Glynn*, 151 K. 855, 870, 101 P.2d 946.
9. United States may recover taxes illegally collected from Indian ward. *Board of Comm'rs v. United States*, 100 F.2d 929, 935.

§ 2. Representative. That until the next general apportionment of representatives, the state of Kansas shall be entitled to one representative in the house of representatives of the United States. [Act Jan. 29, 1861, ch. 20, § 2, 12 Stat. 127.]

§ 3. Force of act; school lands; university lands; public buildings; conditions; taxation. That nothing in this act shall be construed as an assent by congress to all or any of the propositions or claims contained in the ordinance of said constitution of the people of Kansas, or in the resolutions thereto attached; but the following propositions are hereby offered to the said people of Kansas for their free acceptance or rejection, which, if accepted, shall be obligatory on the United States and upon the said state of Kansas, to wit:

*First.* That sections numbered sixteen and thirty-six, in every township of public lands in said state, and where either of said sections or any part thereof has been sold or otherwise been disposed of, other lands, equivalent thereto and as contiguous as may be, shall be granted to said state for the use of schools.

*Second.* That seventy-two sections of land shall be set apart and reserved for the use and support of a state university, to be selected by the governor of said state, subject to the approval of the commissioner of the general land office, and to be appropriated and applied in such manner as the legislature of said state may prescribe for the purpose aforesaid, but for no other purpose.

*Third.* That ten entire sections of land, to be selected by the governor of said state, in legal subdivisions, shall be granted to the said state for the purpose of completing the public buildings, or for the erection of others at the seat of government, under the direction of the legislature thereof.

*Fourth.* That all salt springs within said state, not exceeding twelve in number, with six sections of land adjoining or as contiguous as may be to each, shall be granted to said state for its use, the same to be selected by the governor thereof within one year after the admission of said state, and when so selected to be used or disposed of on such terms, conditions and regulations as the legislature shall direct: *Provided*, That no salt spring or land, the right whereof is now vested in any individual or individuals, or

which may hereafter be confirmed or adjudged to any individual or individuals, shall, by this article, be granted to said state.

*Fifth.* That five percentum of all sales of all public lands lying within said state, which shall be sold by congress after the admission of said state into the union, after deducting all the expenses incident to the same, shall be paid to said state for the purpose of making public roads and internal improvements, or for other purposes, as the legislature shall direct: *Provided*, That the foregoing propositions hereinbefore offered are on the condition that the people of Kansas shall provide by an ordinance, irrevocable without the consent of the United States, that said state shall never interfere with the primary disposal of the soil within the same by the United States, or with any regulations congress may find necessary for securing the title in said soil to *bona fide* purchasers thereof.

*Sixth.* And that the said state shall never tax the lands or the property of the United States in said state: *Provided, however*, That in case any of the lands herein granted to the state of Kansas have heretofore been confirmed to the territory of Kansas for the purposes specified in this act, the amount so confirmed shall be deducted from the quantity specified in this act. [Act Jan. 29, 1861, ch. 20, § 3, 12 Stat. 127.]

#### CASE ANNOTATIONS

1. Taxation of Indian lands; recognition of Indian treaties considered. *Blue-Jacket v. The Commissioners of Johnson County*, 3 K. 299. Reversed: *The Kansas Indians*, 72 U.S. 737, 18 L. Ed. 667.

2. Kansas accepted admission on condition that Indian rights remain unimpaired. *Parker v. Winsor*, 5 K. 362, 367.

3. Taxation of lands granted to railroad company considered. *Kansas Pacific Rly. Co. v. Culp*, 9 K. 38, 47. Reversed: *Railway Co. v. Prescott*, 83 U.S. 603, 21 L. Ed. 373.

4. Grants of land for railroad construction considered. *Kansas Pac. Rly. Co. v. Missouri, K.P. Rly. Co.*, 15 K. 15, 21. Affirmed: *M.K. & T. Rly. Co. v. Kan. Pac. Rly. Co.*, 97 U.S. 491, 24 L. Ed. 1095.

5. Claims of railroad companies under land grants considered; Osage ceded lands. *L.L. & G. Rld. Co. v. Coffin*, 16 K. 510.

6. Provision setting aside lands for state university construed. *The State v. Lawrence*, 79 K. 224, 269, 100 P. 485.

7. Section considered in determining right of state to build roads. *The State, ex rel., v. Knapp*, 69 K. 852, 854, 163 P. 181.

8. Right of state to tax Indian lands considered; recognizing tribal organization. *The Kansas Indians*, 72 U.S. 737, 18 L. Ed. 667.

ACT FOR ADMISSION OF KANSAS INTO THE UNION

§ 5

9. Taxation of lands granted to railroad company; issuance of patents. *Railway Co. v. Prescott*, 83 U.S. 603, 21 L. Ed. 373.

10. Cited in holding Laws 1939, chapter 92 (10-417, 10-421), relating to refunding bonds, unconstitutional. *State, ex rel., v. School Fund Commission*, 152 K. 427, 432, 103 P.2d 801.

11. Right to tax lands owned by federal reconstruction finance corporation discussed. *Boeing Airplane Co. v. Board of County Comm'rs*, 164 K. 149, 155, 156, 188 P.2d 429.

§ 4. Judicial district; court officers; cases. That from and after the admission of the state of Kansas, as hereinbefore provided, all the laws of the United States, which are not locally inapplicable, shall have the same force and effect within that state as in other states of the union; and the said state is hereby constituted a judicial district of the United States, within which a district court, with like powers and jurisdiction as the district court of the United States for the district of Minnesota, shall be established; the judge, attorney and marshal of the United States, for the said district of Kansas, shall reside within the same, and shall be entitled to the same compensation as the judge, attorney and marshal of the district of Minnesota; and in all cases of appeal or writ of error heretofore prosecuted, and now pending in the supreme court of the United States upon any record from the supreme court of Kansas Territory, the mandate of execution or order of further proceeding shall be directed by the supreme court of the United States to the district [court] of Kansas, or to the supreme court of the state of Kansas, as the nature of such appeal or writ of error may require; and each of those courts shall be the successor of the supreme court of Kansas Territory as to all such cases, with full power to hear and determine the same, and to award mesne or

final process therein. [Act Jan. 29, 1861, ch. 20, § 4, 12 Stat. 128.]

§ 5. Terms of court. That the judge of the district court for the district of Kansas shall hold two regular terms of said court annually, at the seat of government of the said state, to commence on the second Monday of April and October in each year. [Act Jan. 29, 1861, ch. 20, § 5, 12 Stat. 128.]

ADMISSION

JOINT RESOLUTION of the Legislature of the State of Kansas, accepting the terms imposed by Congress upon the admission of the State of Kansas into the Union.

PROPOSITIONS CONTAINED IN ACT OF ADMISSION  
ACCEPTED

*Be it resolved by the Legislature of the State of Kansas:*

Proposition accepted. That the propositions contained in the act of congress, entitled "An act for the admission of Kansas into the Union," are hereby accepted, ratified, and confirmed, and shall remain irrevocable, without the consent of the United States. And it is hereby ordained, that this state shall never interfere with the primary disposal of the soil within the same by the United States, or with any regulations congress may find necessary for securing the title to said soil, to *bona fide* purchasers thereof; and no tax shall be imposed on lands belonging to the United States. [C.L. 1862, ch. 6; approved January 20, 1862.]

CASE ANNOTATIONS

1. Laws of United States govern in primary disposal of soil. *Douglas Co. v. U.P.R.W.*, 5 K. 615.
2. Improvements made on government lands not taxable before final proof. *Comm'rs of Chase Co. v. Shipman*, 14 K. 532, 537.
3. Congress may give state permission to tax lands under its control. *Logan v. Comm'rs of Clark Co.*, 31 K. 747, 33 P. 603.

## **Child Support and Gambling Winnings**

**February 3, 2000**

**We are going to immediately begin consultations with the industry.** We plan on immediately obtaining input from the gaming industry to make the gambling intercept proposal as least burdensome as possible. We realize that this proposal would require gaming establishments to take a few extra steps but we intend to fully discuss the process with them. Expertise from the gaming industry is going to be crucial because they understand the actual process and potential challenges better than anyone.

When implementing the new hire reporting requirement contained in the welfare reform law, HHS worked extensively with States and employer organizations to make sure that employers were involved in the conceptualization and development of the new hire reporting system. HHS held conferences, prepared articles for employer's newsletters, and solicited employer input on the Internet. Employers were instrumental in the number and type of data reporting elements that States now use in their new hire reporting system. We will follow this model with the gaming industry both to make sure that we are cognizant of the gaming industry's concerns, and to ensure that the gaming industry was involved in the development of the gambling intercept process.

**The gaming industry is not being singled out.** Strong enforcement tools put in place since 1992 have strengthened our efforts to collect child support, such as allowing garnishing of wages through employers, seizing of bank accounts through financial institutions, and taking of drivers and other licenses. In addition, based on the 1996 welfare reform law, state lottery winnings are withheld from parents who owe past due child support.

**I think there was a lot of initial opposition to the gaming idea before people understood what we were actually proposing. This proposal builds on current reporting processes already in place.** This proposal only builds on the process already in place to collect taxes on gambling winnings, which gaming establishments already report for certain activities and retain a portion of the winnings in some circumstances for tax purposes. This proposal would only require that gaming establishments also check if an individual who is already submitting information for tax purposes because their winnings exceed a certain amount (\$600 to \$1,500 depending on the type of gambling) owe child support. If they do owe child support, winnings would be retained for the children of the gambler. This proposal would increase child support collections to families by \$348 million over five years and save the federal government \$183 million over the same period.

**Gaming activities that could be intercepted for child support are limited.** Again, our proposal follows the IRS rules for reporting. The IRS already requires information on winnings depending on the type of gaming. For example, if slot machine's winnings exceed \$1,200 an individual has to fill out a W2-G. Our proposal would only require that a few pieces of information from the W2-G -- the person's name, social security number and amount of winnings -- be transmitted to a secure internet site where it would be matched against updated HHS Tax Refund Offset Information on parents who owe child support. The match inquiry would report back: 1) there is no match and the individual does not owe past due child support;

2) the individual owes past due child support which exceeds the amount of the individual's winnings, therefore, the entire amount of winnings should be retained; or 3) the individual owes child support but the amount does not exceed the amount of winnings; therefore, only the amount of child support owed should be retained.

In addition to slot machine winnings above \$1,200, IRS rules require that a W-2G be filled out for: Keno winnings above \$1,500, horse and dog racing and other wagering transaction (sports betting) winnings above \$600.

**It's premature to drop the proposal altogether.** We need to sit down with the entire industry (including the tribal gaming organizations) and discuss the goal we are trying to achieve balanced against the real obstacles that would exist in implementing such a project. After we do that, we'll all be in a more informed position to make further decisions.

**I know the gambling proposal is particularly important to you but it is only a piece of our child support enforcement package.** To collect more child support from fathers who can pay, our budget includes several new initiatives to further crackdown on parents who owe child support and can afford to pay. These initiatives (including intercepting gambling winnings) will collect nearly \$2 billion more over five years in support for children who need and deserve the support of both parents by:

- Booting the Cars of Deadbeat Parents. This will take nationwide a policy adopted in Virginia that immobilizes vehicles owned by deadbeat parents until they begin to pay what they owe. During the pilot phase, this initiative collected an average of \$5,000 from each deadbeat parent. This new tool will enable every state to collect more child support; there will be safeguards to ensure that those legitimately trying to pay are not targeted.
- Denying Passports to Parents Who Owe \$2,500 or More in Child Support. This proposal will deny passports to parents owing more than \$2,500 in child support. This expands the current passport denial program, which rejects passport applications or renewal requests if child support arrearages exceed \$5,000, and currently results in 30-40 denied passports per day. Rejected parents often pay child support immediately in order to obtain their passports.
- Prohibiting Medicare Participation by Providers Owing Child Support. This bars doctors and other health providers who owe child support from becoming Medicare providers.
- Requiring More Frequent Updating of Child Support Orders. This proposal will require states to review support orders every three years for families receiving TANF and adjust them accordingly. New orders reflecting parents' updated salary information will bring more child support to children who need it.

The Administration's budget will also contain a proposal that will ensure that more child support goes directly to families. Current child support distribution rules are complicated, and often result in government, not families, keeping child support monies paid by the father. The budget

also includes a proposal that will enable states to simplify distribution rules and provide incentives to states that pass through more child support payments directly to families. In states that adopt the new options, families that have left welfare will be able to keep all the child support paid by the noncustodial parent; families still working their way off welfare will be able to keep up to \$100 a month. These proposals will create a clearer connection between what a father pays and what his family gets, giving parents more reason to cooperate with the child support system.

Internal

**Q&A: Child Support and Gambling Winnings**  
**January 28, 2000**

**Q: How can we obtain input from the gaming industry to make the gambling intercept proposal less burdensome to them?**

A: The Federal Office of Child Support Enforcement will follow the successful model it has used when implementing other laws such as new hire reporting to ensure that it obtains input from the gaming industry to make the gambling intercept proposal the least burdensome as possible.

When implementing the new hire reporting requirement contained in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), OCSE worked extensively with States and employer organizations to make sure that employers were involved in the conceptualization and development of the new hire reporting system. OCSE held conferences, prepared articles for employer's newsletters, and solicited employer input on the internet. Employers were instrumental in the number and type of data reporting elements that States now use in their new hire reporting system. OCSE will follow this model with the gaming industry both to make sure that OCSE was cognizant of the gaming industry's concerns, and to ensure that the gaming industry was involved in the development of the gambling intercept process.

**Q: What is the legal rationale for including tribes in the gambling intercept proposal?**

A: Tribal gaming activities have an important and growing role in the United States gaming industry and the IRS treats tribal gaming as State gaming for tax purposes. According to the National Gambling Impact Study Commission Report, of the 554 Federally recognized tribes in the United States, 146 have Class III gambling establishments. In 1998, there were at least 298 Indian casinos and bingo halls operating in 31 States. This is an increase from 70 such casinos and bingo halls in 16 States in 1988. Revenues from gaming have also increased dramatically on tribal lands, from \$212 million in 1988 to \$6.7 billion in 1997. During the same time period the gaming industry as a whole saw its revenues increase from \$9.6 billion in 1988 to \$20.5 billion in 1997. This rise was in part fueled by two legal developments, the Supreme Court decision in *California v. Band of Mission Indians* confirmed the inability of States to regulate commercial gambling on Indian reservations, and Congressional passage in 1988 of the Indian Gaming Regulatory Act (IGRA) (25 USC 2701 et. seq.). One relevant section of IGRA, 25 USC 2719, applies IRS tax reporting and withholding rules to Indian gaming establishments in the same manner as those IRS rules apply to States.

**Q: What is the enforcement mechanism for the gambling intercept proposal?**

A: As a condition of receiving Federal funding for their child support programs, States would be required to pass laws and implement procedures to require the gaming industry

to intercept gambling winnings that met the IRS thresholds for taxation. States would have responsibility to ensure that gambling establishments complied with the requirements.

## **WHITE HOUSE UNVEILS NEW RESPONSIBLE FATHERHOOD INITIATIVE TO PROMOTE WORK AND BOOST CHILD SUPPORT PAYMENTS**

January 26, 2000

Today, the White House will unveil a major new initiative to promote work, child support, and responsible fatherhood. The responsible fatherhood initiative, part of the Administration's FY 2001 budget, will include new measures to 1) collect child support from parents who can afford to pay; 2) ensure that more child support goes directly to families, and 3) provide funds to help more "deadbroke" fathers who owe child support go to work. These responsible fatherhood proposals are a critical next step in welfare reform, and will build upon the Administration's efforts to help low-income families succeed in the workforce and help even more long-term welfare recipients go to work. The White House today will also announce new data showing that thanks to the Administration's child support crackdown, collections have nearly doubled since President Clinton and Vice President Gore took office.

**COLLECTING MORE CHILD SUPPORT FROM FATHERS WHO CAN PAY.** The Administration's budget will include new initiatives to crack down further on parents who owe child support. These initiatives will collect nearly \$2 billion for children over the next five years by:

- Booting the Cars of Deadbeat Parents. This will take nationwide a policy adopted in Virginia that immobilizes vehicles owned by deadbeat parents until they begin to pay what they owe. During the pilot phase, this initiative collected an average of \$5,000 from each deadbeat parent. This new tool will enable every state to collect more child support; there will be safeguards to ensure that those legitimately trying to pay are not targeted.
- Intercepting Gambling Winnings to Collect Past-Due Child Support. Gambling winnings are a form of income, which until now has been out of reach to families who are owed child support. Under this initiative, gambling establishments will check whether individuals with large winnings owe child support as they complete existing procedures for withholding federal income taxes. Gamblers owing child support will have their winnings seized.
- Denying Passports to Parents Who Owe \$2,500 or More in Child Support. This proposal will deny passports to parents owing more than \$2,500 in child support. This expands the current passport denial program, which rejects passport applications or renewal requests if child support arrearages exceed \$5,000, and currently results in 30-40 denied passports per day. Rejected parents often pay child support immediately in order to obtain their passports.
- Prohibiting Medicare Participation by Providers Owing Child Support. This bars doctors and other health providers who owe child support from becoming Medicare providers.
- Requiring More Frequent Updating of Child Support Orders. This proposal will require states to review support orders every three years for families receiving TANF and adjust them accordingly. New orders reflecting parents' updated salary information will bring more child support to children who need it.

**STREAMLINING CHILD SUPPORT RULES SO MOTHERS GET MORE RELIABLE CHILD SUPPORT INCOME.** The Administration's budget will contain a proposal that will ensure that more child support goes directly to families. Current child support distribution rules are complicated, and often result in government, not families, keeping child support monies paid by the father. Today's proposals will enable states to simplify distribution rules and provide incentives to states that pass through more child support payments directly to families. In states that adopt the new options, families that have left welfare will be able to keep all the child support paid by the noncustodial parent; families still working their way off welfare will be able to keep up to \$100 a month. These proposals will create a clearer connection between what a father pays and what his family gets, giving parents more reason to cooperate with the child support system.

**HELPING LOW-INCOME FATHERS AND WORKING FAMILIES SUPPORT THEIR CHILDREN.** The Administration's budget also proposes \$255 million for the first year of a new "Fathers Work/Families Win" initiative to help low-income non-custodial parents and low-income working families work and support their children.

- Fathers Work. To ensure that low-income fathers who are not living with their children provide the financial and emotional support their children deserve, the Administration's budget will include \$125 million for new "Fathers Work" grants. These grants will help approximately 40,000 low income non-custodial parents (mainly fathers) work, pay child support, and reconnect with their children. As part of this effort, states will need to put procedures in place allowing them to require more parents who owe child support to pay or go to work, expanding to include parents of children not on welfare. This initiative builds on over \$350 million in responsible fatherhood initiatives funded through the Labor Department Welfare-to-Work program.
- Families Win. To reward work and responsibility and ensure that all families benefit from the booming economy, the Administration's budget will include \$130 million in new grants to help hard-pressed working families get the supports and skills they need to succeed on the job and avoid welfare. These funds will leverage existing resources to help families retain jobs and upgrade skills, and get connected to critical work supports, such as child care, child support, health care, food stamps, housing, and transportation. Families Win grants will serve approximately 40,000 low-income families, including mothers and fathers, former welfare recipients, and people with disabilities. Within these funds, \$10 million will be set aside for applicants from Native American workforce agencies.

**CHILD SUPPORT COLLECTIONS SET NEW RECORD, NEARLY DOUBLING SINCE 1992.** The White House today will also announce new data showing that the Administration's child support campaign nearly doubled collections to \$15.5 billion in FY 1999, up from \$8 billion in 1992. A record \$1.3 billion of these collections came from withholding federal tax returns from deadbeat parents, with the balance coming from a variety of stronger enforcement tools put in place since 1992, allowing garnishing of wages, seizing of bank accounts, and taking of drivers and other licenses. The new data show that efforts to track deadbeat parents across state lines are working – 2.8 million parents were located in the first two years of operation of

the National Directory of New Hires, which matches child support orders to employment records. These statistics confirm promising trends, showing that paternity establishment – often the first step in collecting child support – tripled to nearly 1.5 million in 1998, and the number of child support cases with collections rose from 2.8 million in 1992 to 4.5 million in 1998.

**EXTENDING WELFARE-TO-WORK GRANTS.** To help more long-term welfare recipients and low-income fathers go to work and support their families, the Administration's budget will give state, local, tribal, and community- and faith-based grantees an additional two years to spend Welfare-to-Work funds, ensuring that roughly \$2 billion in existing resources continues to help those most in need. This will give grantees an opportunity to fully implement the \$3 billion Welfare-to-Work initiative the Administration fought to include in the 1997 Balanced Budget Act, as well as the program eligibility improvements enacted last year with the Administration's support.

**NEW INITIATIVES ARE IMPORTANT NEXT STEP IN WELFARE REFORM.** The initiative to be announced today is an important next step in welfare reform, which has moved millions of single parents (mainly mothers) into the workforce, and it is a logical extension of the existing Welfare-to-Work funds, which are helping long-term welfare recipients and low-income fathers work and support their families.

Three years after the enactment of the welfare reform law, we've seen revolutionary changes to promote work and responsibility. Numerous independent studies confirm that people are moving in record numbers from welfare to work, and welfare rolls are down by more than half since 1992 to their lowest level in 30 years. The 12,000 companies in the Welfare to Work Partnership launched by the Administration in 1997 have hired nearly 650,000 former welfare recipients. More than 1.3 million welfare recipients nationwide went to work in 1998 alone; the percentage of adults still on welfare who were working nearly quadrupled between 1992 and 1998, with all fifty states meeting the welfare reform law's overall work requirement. Today, there are 2.2 million fewer children living in poverty than in 1993, and the child poverty rate declined from 22.7 percent to 18.9 percent – the largest five year drop in nearly 30 years. The overall poverty rate fell to 12.7 percent in 1998, with 4.8 million fewer people in poverty than in 1993.