

Tax Alert

Don't Roll the Dice with Your Taxes if You Gamble This Year

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For anyone who takes a spin at roulette, cries out “Bingo!,” or engages in other wagering activities, it’s important to be familiar with the applicable tax rules. Otherwise, you could be putting yourself at risk for interest or penalties — or missing out on tax-saving opportunities.

Wins

You must report 100% of your wagering winnings as taxable income. The value of complimentary goodies (“comps”) provided by gambling establishments must also be included in taxable income, because comps are considered gambling winnings. Winnings are subject to your regular federal income tax rate, which may be as high as 39.6%.

Amounts you win may be reported to you on IRS Form W-2G (“Certain Gambling Winnings”). In some cases, federal income tax may be withheld, too. Anytime a Form W-2G is issued, the IRS gets a copy. So if you’ve received such a form, keep in mind that the IRS will expect to see the winnings on your tax return.

Losses

You can write off wagering losses as an itemized deduction. However, allowable wagering losses are limited to your winnings for the year, and any excess losses cannot be carried over to future years. Also, out-of-pocket expenses for transportation, meals, lodging, and so forth don’t count as gambling losses and, therefore, can’t be deducted.

Documentation

To claim a deduction for wagering losses, you must adequately document them, including:

1. The date and type of specific wager or wagering activity.
2. The name and address or location of the gambling establishment.
3. The names of other persons (if any) present with you at the gambling establishment. (Obviously, this is not possible when the gambling occurs at a public venue such as a casino, race track, or bingo parlor.)
4. The amount won or lost.

The IRS allows you to document income and losses from wagering on table games by recording the number of the table that you played and keeping statements showing casino credit that was issued to you. For lotteries, your wins and losses can be documented by winning statements and unredeemed tickets.

Please contact us if you have questions or want more information. If you qualify as a “professional” gambler, some of the rules are a little different.