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Gambling Tips From The IRS? You Bet

Do you enjoy rolling the dice, playing cards or betting on the ponies? However you gamble, one thing is clear: [gambling winnings are always taxable income](#) in the eyes of the IRS. You might think that's *all* the IRS says about gambling. But actually, the IRS offers some tax tips for casual gamblers.



Image credit: Getty Images via @daylife

1. Winnings Are Income. Gambling income includes winnings from lotteries, raffles, horse races and casinos. Obviously, cash winnings are taxable. You must report *all* your gambling winnings as income on your tax return regardless of whether you receive an IRS [Form W-2G](#).

2. Winnings In Kind. But even if you don't win cash, goods that you receive are taxable too. You'll have to pay tax on the fair market value of prizes and awards you receive, such as cars or trips.

3. Tax Forms? If you win, you're taxable regardless of whether you receive tax forms from the casino or other payer. These days, depending on the type of gambling, the size of your winnings, and other factors, you're likely to receive an IRS [Form W-2G](#). Think of it like the Form 1099 you get from your

bank reporting the amount of interest you received. A copy goes to you and to the IRS so you don't forget to report it on your return.

4. Withholding? You'll also receive a Form W-2G if the payer withholds taxes from your winnings. Some gambling winnings are subject to withholding at a 25% rate. If your winnings less the amount of the wager amount to more than \$5,000, withholding is generally required if the winnings are from sweepstakes, wagering pools, or lotteries. Wins from other wagering transactions are generally subject to withholding if the winnings are at least 300 times the amount wagered. See [Instructions for Forms W-2G and 5754](#).

5. Where To Report. If you're a casual gambler, you should report your winnings on the "Other Income" line of your Form 1040.

6. Deducting Losses. You can deduct your gambling losses on Schedule A to your Form 1040. That's where all your itemized deductions go. But remember that your deduction is limited to the amount of your winnings. You must report your winnings as income and claim your allowable losses separately. You cannot reduce your winnings by your losses and report the difference.

7. Record-Keeping. You must keep accurate records of your gambling activity. For many gamblers, this is the rule that is the hardest to swallow, but the IRS means it. Keep This items such as receipts, tickets or other documentation. You should also keep a diary or similar record of your activity. Your records should show your winnings separately from your losses.

For more information, see IRS [Publication 525](#), Taxable and Nontaxable Income, and IRS [Publication 529](#), Miscellaneous Deductions. Even better, check out [Tax Topic 419](#), Gambling Income and Expenses. Also check out this Podcast on *Gambling Winnings and Losses* in [English](#) and [Spanish](#).

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.