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Super Bowl Bet That's A Sure Thing

More money will be gambled on Super Bowl 51 than on any other sporting event this year, [approximately \\$4.7 billion](#). There's nothing like it, for both legal and illegal wagers. At casinos in Las Vegas, online sportsbooks, in an office pool, or somewhere else, America *likes* to bet on the Super Bowl. Not every bet is about winning or losing. Many bets are so-called [prop \(proposition\) bets, over/unders and spreads](#).

If you want a list, check out the [2017 Super Bowl prop bets: 51 of the craziest things you can place a bet on](#). For example, how many times will Gisele Bundchen be shown on TV during the game? How many times will 'deflate' or 'Deflategate' be mentioned? How many times will Trump be mentioned? These bets may be silly, but a friendly or even a commercial bet on the Super Bowl seems all-American.



New England Patriots quarterback Tom Brady participates in a drill during a practice for the NFL Super Bowl 51 football game Thursday, Feb. 2, 2017, in Houston. The Patriots will face the Atlanta Falcons in the Super Bowl Sunday. (AP Photo/Charlie Riedel)

It's also almost tax time, and we should all remember who gets a piece of every bet: the IRS. The IRS gets a piece, whether sports betting, rolling the dice, playing cards, or betting on the ponies. All [gambling winnings are taxable income](#) in the eyes of the IRS. And the IRS doesn't allow you to automatically reduce your winnings by your losses either. Here are 7 tips for casual gamblers.

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. Will the IRS catch you if you don't? Tax returns are signed under penalties of perjury, so consider the risks. They may be small, but is it worth worrying about it?

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.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.