



Gambling Winnings and Losses

If you've done some gambling this year, you may need to know about the applicable federal income tax rules.

You generally must report 100% of your gross gambling winnings on page 1 of Form 1040. They are subject to your regular federal income tax rate, which can be as high as 35%. You can write off your wagering losses as an itemized deduction on Schedule A of Form 1040. However, your losses cannot exceed your winnings for the year. Any excess losses are nondeductible and cannot be carried over to future years.

If you qualify as a professional gambler, your gross winnings and wagering losses are reported on Schedule C of Form 1040. You may also be able to deduct travel expenses and other out-of-pocket costs of being a professional gambler. However, your deductible losses, including out-of-pocket expenses, are still limited to your winnings. Any excess losses and expenses are nondeductible and cannot be carried over to future years.

In any case, you must adequately document your gambling losses to keep the IRS happy. The government says you must compile the following information in a log or similar record:

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.

For example, the IRS says you can document income and losses from wagering on table games by recording the number of the table that you played and by 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. You get the idea.

Last but not least, be aware that amounts you win may have to be reported to you on IRS Form W-2G (Certain Gambling Winnings). In some cases, federal income tax may have to be withheld too. Anytime a Form W-2G is issued to you, the IRS gets a copy. So the government will expect to see the winnings show up on your tax return.

Please call us if you have questions or want more information on the tax rules for gambling winnings and losses