

CLIENT REPORT:

IRS Tax Tips: Reporting Gambling Winnings

Dear Client:

You may know when to hold 'em and when to fold 'em, but do you know how and when to report 'em? Whether you are playing cards or the slots, it is important to know the rules about reporting gambling winnings and losses.

Here are seven things the IRS wants you to know about reporting what Lady Luck has sent your way.

1. All gambling winnings are fully taxable. Even if your total losses exceed your total winnings, the gross winnings must be reported as taxable income.
2. Gambling income includes, but is not limited to, winnings from lotteries, raffles, horse races, poker tournaments and casinos. It includes cash winnings as well as the fair market value of prizes, such as cars and trips.
3. A payer is required to issue you a Form W-2G if you receive certain gambling winnings or if you have gambling winnings subject to federal income tax withholding.
4. Even if a W-2G is not issued, all gambling winnings must be reported as taxable income. Therefore, you may be required to pay an estimated tax on the gambling winnings.
5. You must report your gambling winnings on page one of Form 1040.
6. If you itemize your deductions on Schedule A of Form 1040, you can deduct gambling losses you had during the year, but only up to the amount of your winnings. Your losses are not subject to the 2-percent of adjusted gross income limitation.
7. It is important to keep an accurate diary or similar record of your gambling winnings and losses. To deduct your losses, you must be able to provide receipts, tickets, statements or other records that show the amount of both winnings and losses.

Please give our office a call if you would like more information on paying the estimated tax on your winnings, or on keeping the proper records to substantiate your losses.

Sincerely yours,

TICE ASSOCIATES, P.C.

1709 W. Market St.
York, PA 17404

Phone: 717-843-9572

Fax: 717-845-1590

Web: www.ticeassociates.com

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