

Play your tax cards right with gambling wins and losses

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If you gamble, be sure you understand the tax consequences. Both wins and losses can affect your income tax bill. In addition, changes under the Tax Cuts and Jobs Act ("TCJA") could have an impact.

Wins and taxable income

You must report 100% of your gambling winnings as taxable income. The value of complimentary goodies ("comps") provided by gambling establishments must also be included in taxable income as winnings.

Winnings are subject to your regular federal income tax rate. You might pay a lower rate on gambling winnings this year because of rate reductions under the TCJA.

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, remember that the IRS will expect to see the winnings on your tax return.

Losses and tax deductions

You can write off gambling losses as a miscellaneous itemized deduction. While miscellaneous deductions subject to the 2% of adjusted gross income floor are not allowed for 2018 through 2025 under the TCJA, the deduction for gambling losses isn't subject to that floor. Accordingly, gambling losses are still deductible.

However, the TCJA's near doubling of the standard deduction for 2018 (to \$24,000 for married couples filing jointly, \$18,000 for heads of households and \$12,000 for singles and separate filers) means that, even if you typically itemized deductions in the past, you may no longer benefit from itemizing. Itemizing saves tax only when total itemized deductions exceed the applicable standard deduction.

Furthermore, the deduction for gambling losses is limited to your winnings for the year, and any excess losses *cannot* be carried forward to future years. Moreover, out-of-pocket expenses for transportation, meals, lodging and so forth can't be deducted unless you qualify as a gambling professional.

For 2018 through 2025, the TCJA modifies the limit on gambling losses for professional gamblers so that *all* deductions for expenses incurred in carrying out gambling activities, not just losses, are limited to the extent of gambling winnings.

Tracking your activities

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

1. The date and type of gambling 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.

You can document income and losses from gambling on table games by recording the number of the table you played and keeping statements showing casino credit issued to you. For lotteries, you can use winning statements and unredeemed tickets as documentation.

Please contact us if you have questions or want more information about the tax treatment of gambling wins and losses.

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