

Gambling Income and Losses

The following rules apply to casual gamblers. **Gambling winnings are fully taxable and you must report them on your tax return.** Gambling income includes but is not limited to winnings from lotteries, raffles, horse races, and casinos. It includes cash winnings and the fair market value of prizes such as cars and trips.

A payer is required to issue you a Form W-2G, *Certain Gambling Winnings*, if you receive certain gambling winnings or if you have any gambling winnings subject to federal income tax withholding. You must report all **gambling winnings** on your Tax Return as "Other Income". This includes All winnings whether or not they are included on a W-2G.

You may deduct **gambling losses** only if you itemize deductions. However, the amount of losses you deduct may not be more than the amount of gambling income reported on your return. A nonresident alien of the United States cannot deduct gambling losses.

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 your winnings and losses. **Without a suitable diary** and supporting documentation the IRS says **You Cannot Deduct Your Gambling Losses.**

Gamblers frequently rely upon myths, urban legends and bad tax advice when the time comes to prepare their individual income tax returns like:

MYTH #1: I can use my ATM receipts (or bank statements) to prove how much I spent gambling. TRUTH: Wrong! The IRS consistently refuses to recognize such transactions. The ATM receipt (or bank statement) merely proves that money was withdrawn from the bank account, but it does not prove how the money was spent. How can the Gambler prove to the IRS that the money was spent on gambling and not meals at the casino? The amount of ATM withdrawals used for Gambling should be entered in your Gambling Diary.

MYTH #2: I can use my Player's Reward Card to prove how much I spent gambling. TRUTH: Wrong! The IRS consistently refuses to allow the use of information from a Player's Reward Card because of 2 main reasons:

1. The Gambler cannot prove that he or she was the only one that ever used the Player's Reward Card; and,
2. The Gambler cannot prove that he or she used the Player's Reward Card Every Time they gambled

MYTH #3: I can use a win/loss statement from the Casino to prove my gambling losses. TRUTH: Wrong! The IRS consistently disallows such win/loss statements from Casinos since they frequently report the amount of wins or losses as a "net" amount. (Remember, wins are reported on Page 1 of IRS Form 1040 and losses are reported on IRS Schedule A.) Furthermore, the win/loss statements frequently include language stating that they are merely "estimates" and should not be relied upon. Hence the importance of recording each "gambling session" in their Gambling Deary.

MYTH #4: I am only required to report the winnings reported to me by the casino. TRUTH: Wrong! You must report ALL income including ALL winnings! As a matter of fact, in one reported court case the Judge discredited the testimony of the Gambler because the reported winnings EXACTLY matched the total amount of the W-2G's.

MYTH #5: I do not have to report my winnings from gambling from an Internet website, in a foreign country or while in international waters on a cruise ship.

TRUTH: Wrong! You are taxed on ALL your WORLD WIDE income – including gambling winnings won online or outside the United States.

MYTH #6: Since I have more losses than winnings, I don't need to report anything to the IRS. TRUTH: Wrong! You must separate your winnings from your losses and report each of these amounts to the IRS.

MYTH #7: The IRS will accept whatever amount I report for gambling losses especially if they do not exceed the amount of my gambling winnings. TRUTH: Wrong! You must be able to prove the amount of your gambling losses by providing adequate documentation. Please refer to [IRS Revenue Procedure 77-29](#).

