

**From the desk of
Peter S. Muffoletto, C.P.A.**

Gambling Winnings and Losses

**The Internal Revenue Service is there at the table with
you!**

Should you be lucky at cards, dice, sports betting, at the race track, or any other number of gambling endeavors you must remember that the Internal Revenue Service and your local State taxing authority are there to share in your winnings should you be lucky enough to come out ahead.

Gambling winnings are fully taxable and must be reported on your tax return.

Gambling income includes but is not limited to winnings from lotteries, raffles, horse races, sports betting, the lottery, and of course an winnings from casinos. Lottery winnings generally are not taxable for state tax purposes, but fully taxable with the IRS.

Should you be the lucky one to win the car at the church raffle, or some other event, reportable winnings also include the fair market value of prizes such as cars and trips.

Anyone who pays your winnings or awards you a prize is required to issue you a Form W-2G.

Your winnings are subject to Federal income tax withholding.

All gambling winnings must be reported regardless of whether any portion is subject to withholding.

In addition you may be required to pay an estimated tax on your gambling winnings.

Should your luck be the other way around and you come up a loser you may deduct gambling losses to the extent of your winnings, but to do so you must deduct your gambling losses as itemized deductions, and only if you qualify to itemize.

The problem that arises depending upon the extent of the losses that might be claimed is that due to limitations relating to the overall Itemized Deductions your deduction

maybe limited, and your gambling losses to the extent of your winnings may in fact create a gap between your winnings and the amount that you can effectively deduct.

There also exists the possibility of being subject to the Alternative Minimum Tax therefore effectively limiting your overall deductions.

The bottom line here is that while you may have been an overall loser, or may have just broken even, the IRS can end up being the winner.

It is important to keep an accurate diary or similar record of your gambling winnings and losses as the mere listing of losses are not adequate in terms of the documentation for losses should you be challenged by the IRS.

To deduct your losses, you must be able to provide receipts, tickets, statements or other records that show both your winnings and losses.

We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service.

Should you have questions relating to tax or financial matters,
give us a call at
(818) 346-2160,
or you can visit us on the web at
www.petemcpa.com!

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partnerships, professionals, and other business entities with the
necessary guidance and answers for a complex world.**