

**From the desk of
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Gambling Income and Losses

All income unless otherwise specifically exempted such as tax exempt bond interest, certain life insurance proceeds is taxable and must be reported on your tax return.

Gambling winnings are taxable

If you play the ponies, play cards, or pull the slots, your winnings are taxable. You must report those winnings on your tax return.

Gambling income

Income from gambling includes winnings from the lottery, horse racing, casinos as well as cash and non-cash prizes.

If you have won a non-cash prize such as a car, vacation, or some other award, even at a charity event, you must report the fair market value of non-cash prizes.

Payer tax form

If you win, the payer may, or may not give you a Form W-2G as required. Many charitable organizations such as churches, non-profit organizations, and tournament operators fail to issue the required W-2G which does not make those winnings non-taxable. It is your duty to report all income, and let the government share in your good luck! If you win a vacation, they may even send an IRS agent along with you!

The payer if having issued the appropriate form to you is also required to send a copy of the W-2G to the IRS.

Deducting losses

You may deduct any gambling losses to the extent of winnings on Schedule A, Itemized Deductions. The amount you are allowed to deduct is limited to the amount of the

gambling winnings. There is a problem in that the winnings are reported in the gross income area of the tax return along with wages, interest, dividends, and other income but the deduction is only allowed on Schedule A which means that you may not get a one to one deduction for any losses based upon the limitations imposed on Schedule A.

Gambling receipts

You should keep track of your wins and losses. This includes keeping items such as a gambling log or diary, receipts, statements or tickets. To the extent that you do not have documentation for losses, the IRS will disallow those losses taxing you on the full amount of your winnings.

The government is there to share with you in every one of your endeavors!

Our emphasis at Muffoletto & Company is to provide you the proper guidance and understanding of the system so that you avoid taxes to the extent that the law allows.

Should you have questions relating to these matters, tax, financial, and accounting issues, give us a call at (818) 346-2160.

You can also visit us on the web at www.petemcpa.com!

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 any tax or financial matters, or if you know of someone that could benefit from our assistance feel free in calling us at (818) 346-2160, or you can visit us on the web at www.petemcpa.com!

Providing individuals, small businesses, corporations, partnerships, professionals, and other business entities with the necessary guidance and answers for a complex world.

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