



Shippen, Pope & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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Dear Client,

If you gamble, there may be some rules you are not aware of. Gambling includes lotteries, raffles, races, casino gaming, online gaming and any number of unsanctioned wager activities.

What Gambling Winnings Are Classified as Income?

You are required to report any winnings from lotteries, raffles, horse races, or casino gambling as income. It doesn't matter whether your winnings are in the form of cash or prizes. For example, if you win a car in a charity raffle, you are required to report the *fair market value* of that car as income. There have been rulings to indicate winnings are based on each individual wager. This could mean every pull of the slot, every hand at a table, every race, etc.

If only it were that easy. Many taxpayers think that they only need to report Gambling Winnings shown on Form W-2G. This is not so, taxpayers are required to report *all* gambling winnings.

There are a lot of Gotchas with gambling winnings.

Gambling winnings are reporting as other income while gambling losses are reported in itemized deductions. This creates a number of issues but areas that stand out include:

- Gambling winnings can impact the taxable portion of social security
- Gambling winnings can impact Medicare Premiums
- Gambling winnings can impact Health Insurance Subsidies

But can't I deduct my gambling losses?

Gambling winnings are reported in full, taxpayers cannot net winnings against losses and gambling losses are reported in itemized deductions. So while the losses are deductible, the taxpayer does not always recognize any benefit from the losses.

So....what should I do?

Record keeping is paramount. Keep record of your wagers, how much you went into the casino with versus how much you came out with, ledgers of activity and basically any information that would help substantiate your losses to help offset your winnings. And of course, report all of your winnings to avoid potential tax fraud claims.

"Planning Makes a Difference"

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