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10 FACTS ABOUT GAMBLING WINNINGS

By Victor Sy, CPA

1. Gambling winnings are always taxable and **must be reported** on your tax return - with or without form W-2G.
2. Gambling income includes winnings from **lotteries, raffles, horse and dog races and casinos**. It also includes the fair market value of **prizes** such as cars, houses, trips or other noncash prizes.
3. **Complimentary** goods and services such as lodging, shows, gifts, meals, and other perks are also considered gambling winnings.
4. Gambling winnings for recreational players like you and me are reported as **miscellaneous income**.
5. Report the **full amount of winnings**. Do **not offset winnings and losses** and only report only the net. IRS computers are programmed to catch unreported income, see a mismatch from W-2Gs from casinos.
6. **Professional** gamblers report income and expenses on Schedule C Income from Trade or Business.
7. Gambling income is **not subject to self-employment tax (FICA and Medicare)**.
8. Claim your losses as **itemized deductions on Schedule A**.
9. You cannot **deduct gambling losses that are more than your winnings**. If you win \$1,000 but lose \$600, you pay tax on the net gambling winning of \$400. If you lose \$1,200, you can only use \$1,000 to offset the winning of \$1,000 for a wash (net loss of zero).
10. To deduct your losses, you must be able to provide **receipts, tickets** (not the ones with footsteps on them), statements or other records that show the amount of both your winnings and losses.