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WITHHOLDING ON GAMBLING WINNINGS

By Victor Sy, CPA, MBA

Gambling winnings from the following sources are subject to withholding:

1. State lottery if the proceeds are more than \$5,000.
2. Sweepstakes, raffles, lottery if the proceeds are more than \$5,000.
3. Horse races, dog races, jai alai if the proceeds are more than \$1,000 and at least 300 times the amount of the bet.

The following gambling winnings are not subject to withholding:

1. State lottery with proceeds of \$5,000 or less
2. Sweepstakes, raffles, lottery with proceeds of \$1,000 or less.
3. Horse races, dog races, jai alai with proceeds of \$1,000 or less.
4. Bingo, keno, slot machines.

The payer must file W-2G if winnings from bingo or slot machines exceed \$1,200 or winnings from Keno exceed \$1,500. Some gambling winnings are subject to a 28% withholding.

Remember that while these gambling winnings are not subject to withholding, they certainly are taxable. Remember, too, that wagering losses are deductible against winnings. Only the net winnings are taxable. Losses in excess of winnings are not deductible. Sorry.

And if you want to deduct gambling losses against winnings, save your tickets during the year the ones without footprints on them. ☺

Good luck.

Development: IRS requires casinos and other sponsors of poker tournaments to report tournament winnings of more than \$5,000. Casinos who do not report tournament winnings will be required to pay any tax that should have been withheld (normally 25%). Ouch.