(d) The cross references in the regulations in this part to other portions of the regulations, when the word ''see'' is used, are made only for convenience and shall be given no legal effect.

§ 44.0–3 Scope of regulations.

The regulations in this part apply to wagering activity on and after January 1, 1955.

§ 44.0–4 Extent to which the regulations in this part supersede prior regulations.

The regulations in this part, with respect to the subject matter within the scope thereof, supersede Regulations 132, 26 CFR (1939) Part 325.

Subpart B—Tax on Wagers

§ 44.4401–1 Imposition of tax.

(a) *In general.* Section 4401 imposes a tax on all wagers, as defined in section 4421. See section 4421 and § 44.4421–1 for definition of the term ''wager.''

(b) *Rate of tax; amount of wager*—(1) *Rate of tax.* The tax is imposed at the rate of 10 percent of the amount of any taxable wager.

(2) *Amount of wager.* (i) The amount of the wager is the amount risked by the bettor, including any charge or fee incident to the placing of the wager as provided in subdivision (iv) of this subparagraph, rather than the amount which he stands to win. Thus, if a bettor bets $5 against a bookmaker's $7 with respect to the outcome of a prize fight, the amount of the wager subject to tax is $5.

(ii) In the case of a ''parlay'' wager (i.e., a single wager made by a bettor on the outcome of a series of events, usually horse races), the amount of the taxable wager is the amount initially wagered by the bettor irrespective of whether the parlay is successful. In the case of an ''if'' wager, the amount of the taxable wager is the total of all amounts wagered on each selection of the bettor. For example, A makes a $10 wager on horse R with the understanding that if horse R wins, $5 is to be wagered on horse S and $5 on horse T. If horse R wins, the taxable wager is $20. If horse R loses, the taxable wager is $10. In determining the amount of a taxable wager involving the features

of, or a combination of, ''parlay'' and ''if'' bets, such as wagers sometimes referred to as a ''whipsaw'' or an ''if and reverse'' bet, the rules set forth above relating to ''parlay'' and ''if'' bets are to be followed. For example, assume B wagers $10 on horse R with the understanding that if horse R wins, $5 is to be placed as a parlay wager on horses S and T. In such a case, if horse R loses, the taxable wager is $10; if horse R wins, there are two taxable wagers amounting in the aggregate to $15.

(iii) In the case of punchboards with prizes of merchandise, cash, or free plays listed thereon, the amount of the taxable wager is the amount risked by the bettor for all chances taken by him, including the chances taken by the bettor in lieu of the acceptance of an equivalent amount in cash or merchandise.

(iv) In determining the amount of any wager subject to tax there shall be included any charge or fee incident to the placing of the wager. For example, in the case of a wager with respect to a horse race, any amount paid to a bookmaker for the purpose of guaranteeing the bettor a pay-off based on actual track odds is to be included as a part of the wager. Similarly, in the case of a lottery, any amount paid to the operator thereof by the bettor for the privilege of making a contribution to the pool or bank is also to be included in the amount of the wager. However, the amount of the wager subject to tax shall not include the amount of the tax where it is established by actual records of the taxpayer that such amount of tax was collected from the bettor as a separate charge.

§ 44.4401–2 Person liable for tax.

(a) *In general.* (1) Every person engaged in the business of accepting wagers with respect to a sports event or a contest is liable for the tax on any such wager accepted by him. Every person who operates a wagering pool or lottery conducted for profit is liable for the tax with respect to any wager or contribution placed in such pool or lottery. To be liable for the tax, it is not necessary that the person engaged in the business of accepting wagers or operating a wagering pool or lottery