

Proof of winnings and losses: (continued)

- **Table games (blackjack, craps, poker, baccarat, roulette, wheel of fortune, etc.)** - The number of the table at which you were playing. Casino credit card data indicating whether the credit was issued in the pit or at the cashier's cage.

Caution: The above recordkeeping suggestions are intended as general guidelines to help you establish your winnings and losses. They are not all-inclusive. Your tax liability depends on your particular facts and circumstances.

Other information:

- Depending on the amount of money won, you may be required to make estimated tax payments. See Publication 505, Tax Withholding and Estimated Tax for further information.
- For more information on reporting gambling winnings and losses go to www.irs.gov and enter "gambling" in the search box.

request for additional Information

All of the following forms and publications can be found on the Internal Revenue Service Internet site (www.irs.gov).

For a free paper copy of any listed form or publication, please call 1-800-829-3676 (1-800-TAX-FORM).

For additional questions and your responsibilities, you can call 1-800-829-1040.

Forms and publications that may be of assistance:

- Publication 17 - Your Federal Income Tax (For Individuals)
- Publication 505 - Tax Withholding and Estimated Tax
- Publication 525 - Taxable and Nontaxable Income
- Publication 529 - Miscellaneous Deductions
- Form 1040 and Instructions
- Schedule A and Instructions

FREE TAX RETURN ASSISTANCE

Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites offer free tax return preparation to individuals having low to moderate income. To find free tax help near you, call IRS at **1-800-829-1040** or AARP TaxAide at **1-888-227-7669**.

the **Life CYCLE** series

A series of informational publications designed to educate taxpayers about the tax impact of significant life events.



You Won!
What now?
**Be Informed about
Your Federal Income
Tax Responsibilities**



*What you need to know about
your Gambling Winnings.*

**Tax Benefits, Credits,
and Other Information.**



Be informed - Know the rules and how to report your winnings.

This brochure is intended to provide individuals with information on reporting gambling winnings.



What did you win?

- Casino Gambling
- Bingo
- Lottery
- Table Games
- Raffles
- Prizes
- Private Party Games
- Tournaments
- Scratch off Tickets
- Other

How do you compute winnings?

Even if you do not receive a Form W-2G, *Certain Gambling Winnings*, or similar document from the payer of the gambling winnings, your winnings are still considered taxable income. Gambling winnings must be considered in determining your filing requirements.

Winnings of any type are includible in income. Winnings include money and/or the fair market value of bonds, cars, houses, and other non-cash prizes.

Example: If you pay \$1.00 for a raffle ticket and win a \$40,000 boat, you must include \$40,000 in income.

Where do you report winnings?

You must report the full amount of your gambling winnings for the year on Form 1040, U.S. Individual Income Tax Return, line 21.

You may receive a Form W-2G, Certain Gambling Winnings, showing the amount of your gambling winnings and any tax withheld. Include the amount from box 1 on Form 1040, line 21. Include the amount shown in box 2 on Form 1040, on the line designated as federal income tax withheld.

What about losses?

- You must itemize deductions on Form 1040 Schedule A in order to take advantage of gambling losses.
- These losses are reported on the "Other Miscellaneous Deductions" line of Schedule A. They are not subject to 2% of your Adjusted Gross Income.
- The amount claimed can not exceed the amount of the winnings reported on line 21 of the Form 1040.
- You must be able to substantiate any losses claimed.

Caution: Do not net winnings and losses. You cannot subtract your losses from your winnings when reporting your gambling income. The total income is reported on Line 21 of Form 1040 and losses (up to the amount of winnings) are claimed by itemizing deductions on Schedule A.

Example: You won \$700 playing bingo, which you played twice a week and spent \$600 during the year to play. You include \$700 on Form 1040, Line 21, as "Gambling Winnings". You cannot net the amounts and report \$100 on your 1040 tax return.

If you are able to itemize your deductions on Schedule A, you take a deduction for the \$600 in "gambling losses." You can only claim gambling losses up to the amount of your gambling winnings.

What records do you need to maintain?

You must keep an accurate diary or similar record of your losses and winnings. Your diary should contain at least the following information.

- The date and type of your specific wager or wagering activity.
- The name and address or location of the gambling establishment.
- The names of other persons present with you at the gambling establishment.
- The amount(s) you won or lost.

Caution: You cannot reduce your gambling winnings by your gambling losses and report the difference. You must report the full amount of your winnings as income and claim your losses (up to the amount of winnings) as an itemized deduction. Therefore, your records should show your winnings separately from your losses.

Proof of winnings and losses:

In addition to your diary, you should also have other documentation. You can generally prove your winnings and losses through Form W-2G, Certain Gambling Winnings, Form 5754, Statement by Person(s) Receiving Gambling Winnings, wagering tickets, canceled checks, substitute checks, credit records, bank withdrawals, and statements of actual winnings or payment slips provided to you by the gambling establishment.

For specific wagering transactions, you can use:

- **Keno** - Copies of the keno tickets you purchased
- **Slot Machines** - A record of the machine number and all winnings by date and time the machine was played.
- **Bingo** - A record of the number of games played, cost of tickets purchased, and amounts collected on winning tickets.
- **Racing (horse, harness, dog, etc.)** - A record of the races, amounts of wagers, amounts collected on winning tickets, and amounts lost on losing tickets
- **Lotteries** - A record of ticket purchases, dates, winnings, and losses. Supplemental records include unredeemed tickets, payment slips, and winnings statements.

