

## GAMBLING GAINS AND LOSSES

Generally speaking, gambling losses are deductible to the extent of winnings. Deductible losses are a component of itemized deductions and are not subject to the 2% of income limit. Winnings are reportable to the taxpayer by the payee on a form W-2G. Requirements for reporting differ based upon the type of activity.

Any W-2G received must be reported as income, and is also reportable to the state in which the W-2G was issued. The taxpayer has the burden of proving any losses. While there is no specific IRS provision that specifies what records are deemed sufficient to prove losses, there is a "suggestion" within IRS language that taxpayers keep a diary on a regular basis which shows the following:

- 1.) Date and type of specific wager or activity.....
- 2.) Name of gambling establishment....
- 3.) Address or location of the establishment....
- 4.) Names of other people present at time of winning....
- 5.) Amount of gain or loss....

Merely having receipts from gambling establishments for expenses or cash withdrawn does not constitute sufficient documentation. While the above criteria is not always considered definitive or necessary, it does provide guidance for taxpayers wishing to deduct losses. According to guidelines, the facts and circumstances of each situation will be considered by the IRS in allowing(or not allowing) gambling losses to be deducted.

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