

# Gambling Tax Update



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# Review

- Gambling Winnings reported “Above the Line”  
Other Income (IRS Form 1040, Page 1, Line 21)
- Gambling Losses NOT reported if use the Standard Deduction
- Gambling Losses reported “Below the Line”  
“Other Miscellaneous Deductions” not subject to the 2% limitation (IRS Form 1040 Schedule A Itemized Deductions)

# Review

- Taxpayers are allowed to reduce “Gambling Winnings” by amount of basis
- Example:
  - \$20 lottery ticket pays \$1,000,000
  - Gambling Winnings = \$999,980

# Gambling Session

- Chief Counsel Advice Memorandum 2008-011
- Defined “Gambling Session”:
  - Time
  - Place
  - Activity
- Gave 10 examples of Slot Machine play
- ALL amounts under \$1,200

# Gambling Session

- NEW: Notice of proposed revenue procedure announced
- IRS Bulletin 2015-12  
Safe Harbor Method for Determining a Wagering Gain or Loss from Slot Machine Play  
[http://www.irs.gov/irb/2015-12\\_IRB/ar09.html](http://www.irs.gov/irb/2015-12_IRB/ar09.html)
- Defined “Gambling Session” by:
  - Time
  - Place
  - Activity
- No dollar limits

# $J + O - I = \text{Gambling Income}$

- Jackpots (as reported on IRS Form W-2G's)
- Cash – Out's (any other winnings not reported to the IRS)
- Cash – In's (the Taxpayer's Basis)
- Equals Gambling Income

# Social Security

- Program Operations Manual System (POMS)
- SI 00830.525 Gambling Winnings, Lottery Winnings and Other Prizes
- B. Policy -
  - 1. Gambling Winnings, Lottery Winnings and Prizes As Income-  
Gambling winnings, lottery winnings and prizes are unearned income subject to the general rules pertaining to income and income exclusions.
- NOTE: We do not subtract gambling losses from gambling winnings in determining an individual's countable income.
- <https://secure.ssa.gov/poms.nsf/lnx/0500830525>

# Social Security

- SSA can send a letter requesting information from a casino
- Frequently, the casino merely totals JACKPOTS - the amounts issued on IRS Form W-2G's
- No information concerning other CASH-OUT's is provided
- No information concerning the CASH-IN's (the basis) is provided
- If the transaction were a sale of stock, the SSA would be basing it's decision merely on the sale proceeds and ignoring the cost of asset



# 2018 Election for Governor

- Current tribal-state compacts lasts until January 1, 2020
- Automatically renew unless renegotiated
- Compacts are an “executive” function and do not require approval by the State Legislature
- Oklahoma could negotiate a larger share in exchange for “exclusive” Class III gaming rights
- Oklahoma could “legalize” Class III gaming
- Tribes could pull Class III machines and switch to “updated” Class II machines

# Indian Gaming Regulatory Act (IGRA)

- Federal law organized into 3 classes
- Class I - gaming associated with tribal ceremonial or celebration-related events
- Class II – Regulated by Tribes
  - Bingo, pull-tabs, punch boards, tip jar, etc.
  - Non-banking card games (played exclusively against other players) – poker
  - Specifically excludes slot machines

# Indian Gaming Regulatory Act (IGRA)

- Class III – Casino-style gaming; Must be permitted in State or have Tribal-State compact
  - Slot machines
  - Roulette
  - Craps
  - Lotteries
  - Horse Racing
  - Banking card games (i.e. baccarat and blackjack)

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