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The IRS isn't leaving gambling reporting to chance. It has issued new final regulations clarifying and expanding the rules for payors of slot, bingo and keno winnings. Most notably, in response to an outcry from the gambling industry, higher thresholds for reporting responsibilities were retained (IRS Reg. 1.6401-10, 12/29/16).

"Commentators overwhelmingly opposed the idea of reducing these reporting thresholds. Payors opposed lowering the thresholds because it would result in more reporting, which would increase compliance burdens for the industry," said the IRS in the regulations. "In fact, many commentators suggested that rather than reducing the current thresholds, they should be increased to account for inflation. These final regulations do not change the existing reporting thresholds for bingo, keno, and slot machine play."

For taxpayers, gambling winnings are treated as taxable income on federal income tax returns, but the tax may be offset by losses up to the amount of the winnings. For example, if you win \$5,000 during the year and incur losses of \$4,500 in the same year, you owe tax on only \$500. The losses are reported on Schedule A, but aren't subject to the usual 2%-of-AGI floor for miscellaneous deductions.

For businesses, information reporting is required for payments of \$600 or more to a taxpayer during the year. While temporary regulations had boosted the reporting thresholds for winnings from bingo games and slot machines to \$1,200 and \$1,500 for keno games, proposals would have lowered these amounts back to \$600.

The information is reported on Form W-2G, “Certain Gambling Winnings,” which

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same calendar day.

The IRS also agreed to allow gambling institutions to use “gaming days” instead of calendar days for reporting periods if its use is uniform. Gaming days are generally used for other accounting purposes.

Finally, the new final regulations did not include proposed rules that applied to electronically tracked systems for slot machines. The proposed regulations required reporting for winnings at least \$1,200 within a calendar day session. However, the casino industry successfully argued that the technology would not support this and that it would “chill customer use.” Count this as a win for the casinos.

Technology

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