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taxable income. Generally, payments of \$600 or more in a year are reported on Form W-2G.

May. 16, 2018

On May 14, the U.S. Supreme Court, in a 6-3 ruling spurred by both conservative and liberal-leaning justices, authorized nation-wide sports betting. In doing so, the top court repealed a federal ban against gambling in states other than Nevada (Murphy, Governor of New Jersey, S. Ct. No. 160476, 5/14/18). The lawsuit was brought by the state of New Jersey, which is one of the many states and other entities expected to jump on the bandwagon.

The news isn't being cheered just by frequent bettors who previously placed wagers through bookies and other illegal means. This ruling is expected to bring a windfall in tax revenue to the states that set up legitimate gambling operations for their residents. Fantasy sports providers such as FanDuel and Draft Kings are also in line to reap rewards.

Previously, Fantasy sports entrepreneurs had argued that their business model didn't actually involve gambling, but were games of skill rather than chance. Now those online operators are only too glad to change their tune and abide by the new Supreme Court ruling.

Of course, gamblers can't just simply walk down to the end of the block to place their bets – at least not yet. Many state legislatures are now scurrying to make accommodations for legalized gambling, but it will take some time for laws to be enacted and procedures to be implemented. New Jersey, which already has legal gambling casinos in Atlantic City, is ahead of the pack.

In states where gambling will be authorized, the standard reporting rules will apply. For starters, amounts that you win from gambling activities are included in your

taxable income. Generally, payments of \$600 or more in a year are reported on Form

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What about losses from gambling activities? It's up to individuals to claim losses based on documentary evidence. To the extent that they are substantiated, losses are deductible on your personal return, but only up to the amount of your winnings for the year. An early draft of the new Tax Cuts and Jobs Act (TCJA) had eliminated this deduction, but the provision was removed from the final version of the law.

The new Supreme Court ruling takes some of the seedy element out of gambling by authorizing states to engage in legitimate operations. But moving these activities above-board comes at a cost to bettors in the form of tax on winnings. The states raking in the resulting tax revenue will likely emerge as the biggest winners.

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