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was \$1,000. As a result, your net profit is \$9,000. Assuming you're in the 24% tax

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Are you a “player” in Fantasy sports? In recent years, the number of participants has grown in leaps and bounds. Whether it's popular team sports like football, baseball or basketball or individual competitions such as golf or tennis, you can find an outlet through one of the popular online forums like ESPN or Yahoo. You can even sign up for Fantasy bass fishing!

People often play mostly for fun with friends from college, family members or other groups. In some cases, you may be in it for the money offered by sponsors like [FanDuel](#) or [DraftKings](#) where winnings are paid off on daily, weekly or season-long performance. Just be aware: You may face tax consequences from your Fantasy sports activities.

Although the law in this area is still evolving, the IRS has consistently maintained that Fantasy sports competitions involving money are a form of gambling and should be treated accordingly. It just reiterated this position in a new private letter ruling (PLR 202042015, 10/16/20).

Starting point: If you play Fantasy sports online for money and win \$600 or more, the sponsoring website is legally obligated to report the winnings. Typically, you'll receive a Form 1099-MISC or a 1099-K for payment from a third party source like PayPal or Venmo. Of course, the same information is sent to the IRS.

This is where many Fantasy sports players get in trouble. They think that it's small potatoes to the IRS or that it doesn't matter because the activity is recreational in nature. If the IRS computers flag your return for closer inspection, however, it can come back to haunt you.

If you are eligible to itemize deductions above the standard deduction, you can

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during the year—for example, you've made several trips to casinos and racetracks—you can use losses from those activities to offset gambling income if you are able to deduct those expenses. The losses are deductible up to the amount of your winnings. So, if you have \$5,000 in losses, your taxable \$9,000 gain from the Fantasy league is reduced to \$4,000.

Even better: If your gambling activities rise to the level of a business, you can deduct losses on Schedule C as a self-employed individual. Mind you, the IRS won't be easily convinced that you're a professional gambler. To support your claim, you may have to prove that the activity is a legitimate business—not a hobby—based on the key factors listed in the prevailing regulations. Significantly, you must show that you intended to turn a profit and generally acted in a business-like manner.

If you have any further questions regarding the tax consequences of Fantasy sports participation, contact your professional tax advisor.

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