



SO YOU WANT TO DEDUCT YOUR GAMBLING LOSSES?

Good news.... you can!

However, the bad news is that gambling losses are only deductible up to the amount of your winnings. This means that you can use your losses to offset your winnings, but you can never show a net gambling loss on your tax return, unless you are a full-time gambler.

Since gambling losses are only deductible as a miscellaneous itemized deduction, you must itemize your deductions in order to claim the deduction. Even better news is that gambling losses are not subject to either the 2% of AGI limit on itemized deductions or the phase out of itemized deductions for high income taxpayers.

The next logical question is how are gambling losses documented. Don't rush down to the track and start collecting discarded tickets, since they generally aren't acceptable documentation because of their ready availability. The IRS has published guidelines on what is acceptable documentation to verify losses. They indicate that an accurate diary or similar record regularly maintained by the taxpayer, supplemented by verifiable documentation will usually be acceptable evidence for substantiation of wagering winnings and losses. In general, that diary should contain at least the following information:

1. Date and type of specific wager or wagering activity,
2. Name of gambling establishment,
3. Address or location of gambling establishment,
4. Names of other persons (if any) present with taxpayer at the gambling establishment, and
5. Amounts won or lost.

Save all available documentation including such items as losing tickets, checks, casino credit slips. You should also save any related documentation such as hotel bills, plane tickets, entry tickets and other items that would document your presence at a gambling location. If you are a member of a slot club, the casino may be able to provide a record of your play. You might also obtain affidavits from responsible gambling officials at the gambling facility. With regard to specific wagering transaction, winnings and losses might be further supported by:

Keno

Copies of keno tickets purchased by the taxpayer and validated by the gambling establishment.

Slot Machines

A record of all winnings by date and time that the machine was played.

Table Games

The number of the table at which the taxpayer was playing. Casino credit card data indicating whether credit was issued in the pit or at the cashier's cage.

Bingo

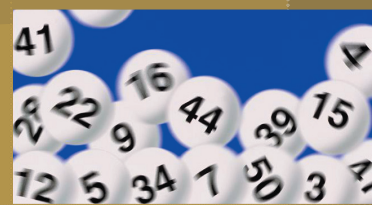
A record of the number of games played, cost of tickets purchased and amounts collected on winning tickets.

Racing

A record of the races, entries, amounts of wagers, and amounts collected on winning tickets and lost on losing tickets. Supplemental records include unredeemed tickets and payment records from the racetrack.

Lotteries

A record of ticket purchase dates, winnings and losses. Supplemental records include unredeemed tickets, payment slips and winning statements.



For more information, please contact Winnes Wong, C.P.A. at **626-299-3722** or email to **winnes@wongcpa.com** for any comments or inquiries. We welcome readers for any tax or accounting-related questions and reply you in the next publications.

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