

Recordkeeping for Casual Gamblers



Casino gamblers are rewarded with Forms W-2G to report winnings of \$1,200 or more for Bingo or slot machines and \$1,500 for Keno. The winnings from the W-2G are reported to the IRS to be taxed as miscellaneous income. Losses from gambling are deductible as itemized deductions only to the extent of the gambling income. Total winnings and losses for the year can not be netted.

The sessions approach to recordkeeping

An IRS chief counsel advice memorandum from 2008 suggests that casual gamblers keep a log of gambling **by session**. This memorandum was reinforced by a more recent court case *Shollenberger vs Commissioner*.

A **session** is the time between buying in and cashing out. It would most commonly last a day unless the gambler changes location or gambling activity.

The IRS lists the following items as essential for recordkeeping for a casual gambler:

- Date of the wagering
- Name and address of the gambling establishment
- Names of others present
- Amounts won or lost

Keeping records by session would satisfy the above IRS requirements if a log as shown in the example below was kept. Keep funds for food and entertainment separate from gambling cash.

| Date | Location | Others Present | W-2G Winnings | Machine, Table # | Starting Cash | Ending Cash | Net from the Session |
|----------|---------------|----------------|---------------|------------------|---------------|-------------|----------------------|
| 01/01/14 | Local casino, | Mom | \$2,000 | 100000 | \$100 | \$500 | \$400 |
| 04/01/14 | same | Mom | 0 | | \$100 | 0 | (100) |
| 08/01/14 | same | Mom | 0 | | \$100 | \$400 | \$300 |

By keeping records this way, the sessions with income would be added and taxed, and the sessions with a net loss would be recorded as an itemized deduction. The income to be included on the tax return would be \$700, not \$2,000 as the W-2G states. Keeping records with a session log will in many cases result in less income subject to tax. Relying on Player's Club card statements can be accurate documentation only if all gambling activity is included and no one else uses the card.

Conclusion: Casual gamblers should keep track of gambling with a log **by session** for the best and most accurate tax result.