



## Robert W. Wood

THE TAX LAWYER

TAXES | 3/07/2014

# Gambler Who Lost \$500,000 In Vegas Sues Casino: 'Too Drunk To Gamble'

Turns out what happens in Vegas doesn't stay in Vegas after all. When you drop \$500,000 in Las Vegas, someone should pay. Well, someone *else*. After gambling 17 hours at Vegas' Downtown Grand, Mr. Mark Johnston lost the money but claims in a lawsuit he was too drunk to legally play.

Under Nevada law, patrons who are visibly drunk are not meant to gamble. And for that reason, this [Las Vegas gambler sues after losing \\$500,000 'while drunk'](#). And if Mr. Johnston has to fork over the money—the casino is just trying to collect its markers—he'll have a hangover from the tax rules too. Here's why.

However you gamble, [gambling winnings are always taxable income](#). Losses aren't always allowed either. Gambling income includes winnings from lotteries, raffles, horse races and casinos. You must report *all* your gambling winnings as income on your tax return regardless of whether you receive an IRS [Form W-2G](#).



Even if you don't win cash, goods that you receive are taxable too. You'll have to pay tax on the fair market value of prizes and awards you receive, such as cars or trips. If you win, you're taxable regardless of whether you receive tax forms from the casino or other payer.

These days, depending on the type of gambling, the size of your winnings and other factors, you're likely to receive an IRS [Form W-2G](#). Think of it like the Form 1099 you get from your bank reporting the interest you received. A copy of the Form 1099 goes to you, and a copy goes to the IRS so you don't forget to report it on your tax return.

You'll also receive a Form W-2G if the payer withholds taxes from your winnings. Some gambling winnings are subject to withholding at a 25% rate. If your winnings (less the amount of the wager) amount to more than \$5,000, withholding is generally required if the winnings are from sweepstakes, wagering pools, or lotteries. Wins from other wagering transactions are generally subject to withholding if the winnings are at least 300 times the amount wagered.

If you're a casual gambler, you should report your winnings on the "Other Income" line of your Form 1040. You can deduct your gambling losses on

Schedule A to your Form 1040. That's where all your itemized deductions go. But remember that your deduction is limited to the amount of your winnings. You must report your winnings as income and claim your allowable losses separately. You cannot reduce your winnings by your losses and report the difference.

You must keep accurate records of your gambling activity. For many gamblers, this is the rule that is the hardest to swallow, but the IRS means it. Keep items such as receipts, tickets or other documentation. You should also keep a diary or similar record of your activity. Your records should show your winnings separately from your losses.

Let's see, if you make a mistake on your taxes...

*You can reach me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*