



## **Episodes 43- On the Taxation of Gambling Winnings**

This document provides resources for educators looking for ways to incorporate current events into their curriculum. Each podcast episode is approximately 20 minutes long and available on all major podcast outlets for free. This document provides opportunities for either short-answer/essay-style questions or discussion questions to delve further into topics. Email [taxnerds@gmail.com](mailto:taxnerds@gmail.com) for an answer key.

In this episode, we outline the tax treatment of gambling income and losses in the U.S. and the taxation of online sportsbooks.

### **Concepts covered**

- Gross income
- Itemized deductions
- Taxation of online gambling

### **Multiple choice & True False Questions**

1. True or False: In general, gambling winnings are not considered taxable income as long as the individual engages in gambling as a hobby versus as a profession.
  - a. True
  - b. False
2. Which of the following types of gambling income is typically taxable? Select all that apply.
  - a. Slot machine winnings
  - b. Poker tournament winnings
  - c. Poker game winnings outside of a casino
  - d. Fantasy football winnings
3. Assume an individual wins a non-cash prize valued at \$1,000 through a March Madness Pool with friends. Which of the following is true?
  - a. The prize is not taxable because it was a non-cash prize.
  - b. The prize is not taxable unless it is separately reported to the IRS by a casino.
  - c. The prize is taxable because it exceeds \$250.
  - d. The prize is taxable because gambling proceeds are generally included in taxable income.
4. True or False: Taxpayers are required to report gambling winnings to the IRS only if they receive a Form W-2G from a casino.
  - a. True

- b. False
5. Assume an individual taxpayer who is not a professional gambler has \$2,500 of gambling winnings and \$1,000 of gambling losses. Which of the following is true? Select all that apply.
- a. The taxpayer must report \$2,500 of winnings.
  - b. The taxpayer must report \$1,500 of net winnings.
  - c. The taxpayer can deduct \$1,000 of gambling losses only if they itemize deductions.
  - d. The taxpayer is not required to report this income to the IRS.
6. True or False: There are different rules for deducting gambling losses depending on whether the gambler is an amateur or a professional.
- a. True
  - b. False
7. Which of the following is true about online gambling? Select all that apply.
- a. Online gambling sites became more popular after a 2018 Supreme Court ruling struck down a federal ban on sports betting.
  - b. All 50 states have now legalized sports betting.
  - c. All states that have legalized sports betting also have legalized online betting.
  - d. States can tax both individuals' winning from online betting as well as the business income of online gambling sites.
8. True or False: According to estimates discussed on the podcast, Colorado raised more tax revenue than expected after it implemented a 10% tax on casinos and sports betting operators.
- a. True
  - b. False

**Discussion questions and activities:**

Do you think taxes collected from online gambling should be earmarked toward gambling addiction and treatment services? Why or why not?

One potential benefit of legalizing and taxing online gambling is increased tax revenues. Can you think of any potential negative consequences of legalizing and taxing gambling?