

Whether you're heading to the casino for fun or betting as part of your profession, there's one thing every gambler should keep in mind — gambling winnings are taxable. Despite this, the IRS has found that many taxpayers fail to report these earnings, which can lead to hefty consequences, including back taxes, interest, and penalties. Here's what you should know to stay on the right side of the tax law.

When Are Gambling Winnings Taxable?

All gambling winnings are considered taxable income under federal law. This includes not only cash prizes but also the fair market value of non-cash prizes won from activities such as:

- Casino games
- Lotteries
- Raffles
- Horse races
- Online betting

Some winnings may trigger automatic federal tax withholding. For example, if you win over \$1,200 on a slot machine or \$5,000 in a poker tournament, the payer must issue [Form W-2G](#), which also gets sent to the IRS. But even if you don't receive this form, you're still responsible for reporting your winnings on your tax return.

Are You a Hobby Gambler or a Professional?

How you report gambling income depends on whether the IRS sees your activity as a hobby or a business.

- **Casual gamblers** report their winnings on [Schedule 1 of Form 1040](#). Gambling losses can be claimed as an itemized deduction on [Schedule A](#), but only up to the amount of winnings.
- **Professional gamblers**, on the other hand, must show that gambling is their primary source of income and that they engage in it consistently. Their income and expenses are typically reported on [Schedule C](#), and qualifying gambling-related business expenses can be deducted.

Tips to Stay on Track with Gambling Tax Rules

Keeping proper records and planning can help you avoid problems at tax time. Here are a few best practices:

- **Keep a detailed log** of your gambling activity, including:
 - Dates and locations
 - Types of games or bets
 - Amounts won and lost

A well-documented log, especially one kept in real-time, can support your tax filings and be valuable in the event of an IRS audit.

- **Save all related documents** — receipts, tickets, statements, and any paperwork showing winnings or losses. This is especially important if you deduct losses or claim business expenses as a professional gambler.
- **Review your withholding** or make estimated payments if you regularly win large amounts. This can help prevent surprises when you file and reduce the risk of underpayment penalties.

Don't Roll the Dice with the IRS

Gambling tax rules can be tricky, and non-compliance risks are real. If you're unsure how to report your winnings or claim deductions, [reach out to us](#). It's better to play it safe than face unexpected tax bills.