

LAW OFFICES OF SANFORD I. MILLAR

MILLARLAWOFFICES.COM

Gamblers Need to Keep Records for Tax Purposes (Log it or lose it)

April 12, 2011

The legalization of internet poker by Washington D.C. this week raises many issues, but among them is the role that record keeping of gambling deposits, wins, and losses will play for income tax purposes.

The U.S. Tax Court case of Jones v. Commissioner reported April 4, 2011 is ample warning to recreational gamblers who try to take gambling losses to offset gambling winnings without documentary evidence to support their deductions. Jones's claimed deductions were denied.

Jones was a recreational gambler who claimed losses about equal to his wins, but he had no records other than his bank statements. He tried to use his bank statements to prove he had lost money, and nothing else. He used, what is known as the "estimate" method. He did not use his "player's club" card very often, he did not keep a diary, he just estimated wins and losses. At the end of the year his estimate based on what he had in the bank at the beginning of the year less his ending balance established in his mind that he lost money. The [IRS](#) and the Tax Court disallowed his deductions based upon a lack of substantiation. The estimate method was held to be inadequate.

Record keeping will be much more automated with on-line operators, so the [IRS](#) may ultimately have a source of data from the internet gaming company, in format much like a 1099. The Washington D.C. operator will likely report from first dollar deposited, all deposits, withdrawals and end of year account balance. Player's will need to provide evidence of age, residence, tax identification numbers and other data upon registration to play on line which will facilitate record keeping and reporting to the [IRS](#).

But for those recreational gamblers who are also gambling at brick and mortar establishments they will need a diary and supporting evidence to offset wins with losses. Failure to adequately document all wins and losses will give the advantage to the [IRS](#) in any dispute.

Law Offices of Sanford I. Millar

Office: 310-556-3007

Fax: 310-556-3094

Address: 1801 Avenue of the Stars, Suite 600
Los Angeles, CA. 90067

Email: smillar@millarlaw.net

www.millarlawoffices.com