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When are Gambling Expenses Deductible

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A recent Tax Court case, (Mayo, (2011), 136 TC No. 4) held that expenses incurred by a professional gambler were deductible as trade or business expenses on the gambler's Schedule C of Form 1040. In this case The [IRS](#) claimed that the taxpayer who is a professional gambler, was only allowed to deduct expenses incurred in relation to gambling winnings to the extent of gambling losses (only). The point of contention came down to whether the general rule that gambling losses are limited to gambling winning included expenses incurred. Here the taxpayer's gambling losses were less than his gambling winnings.

The Tax Court disagreed with the [IRS](#) and found that the taxpayer could deduct his "expenses" in addition to gambling losses.

This case is important for the following reason. First, reaffirms that professional, but not recreational gamblers can deduct expenses, (which presumably are travel related and documented). Professional poker players should be carefully documenting their wins and losses and expenses, including entry fees and reporting both on-line and off-line income and expenses.

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