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Is A Tax Amnesty Needed for Online Poker Players

April 23, 2011

On April 15th founder of the three largest on-line poker sites, PokerStars.com, Fulltiltpoker.com and AbsolutePoker.com were indicted. The case is filed in the United States District Court for the Southern District of NY. It is case no. S3 10CR336. A parallel civil forfeiture case was filed against the poker companies in the same court. It is case no 11 civ 2564. The cases are in a very early stage, but the ultimate effect on the players may be serious. First, there were funds on deposit in at least 76 banks that are the subject of restraining orders. The funds may be the property of the players or the sites, that is yet to be determined. If the sites are found to be the owners of the funds then no funds are likely to be released in the short to near term.

The U.S. Attorney and two of the sites entered into an agreement that would allow the players to withdraw funds on deposit, but no time line has been set and all actions of the sites are going to be supervised by a "monitor". Which brings us to the following questions.

Will the sites be required to collect information on players and turn it over to the U.S. authorities? If so, just what information? Will it include the same level of information on players that the Frank Bill, pending in the Congress would require? That information would include, name, address, deposit and withdrawal history and remaining fund balance? If so, will this information be delivered to the [IRS](#) and state taxing authorities? The possibility of a turn-over at some stage in the cases should not be ruled out. In such event, there will likely be a substantial amount of data produced which will need to be sorted for audit.

The [IRS](#) and Justice Dept have demonstrated in the UBS AG cases, criminal and civil, that a high volume of information (depositor accounts) is not a barrier to criminal and civil proceedings against the account holders. So, the question is should players step-up now or wait and gamble on not being one of the players who get selected for prosecution or audit. It may be time for the government (DoJ and [IRS](#)) to consider including poker players, in the current Offshore Voluntary Disclosure Initiative

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which expires August 31, 2011 and reach out to players who have not reported net gambling winnings in past years.

Given that some analysts believe that billions of dollars are involved in player deposits and that the sites retain about 35% of deposits, there is undoubtedly a potentially large number of players with unreported income. The sites did not report by issuing Information Returns and it appears that the payment processors, who paid out to players did not either.

What an offer to the players would require is for the players to have accurate records that show true and correct information on deposits, wins and losses which they may have to get from the sites. The conclusion is that the sites can short cut a bit of work for players by providing the information to the players in the process of settling out withdrawal requests. This was all information will be uniform in format and timely. It will be up to the players and the [IRS](#) to play out the hand from there. The bet on the pot being, no taxes to be paid by the players who don't get caught, versus potential prosecution, and civil penalties and interest for those who do get caught. In any event, the game has been set.

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