

What Does Federal Tax Reform Mean for Casino Customers?

Background

Congress recently enacted extensive changes to our nation's tax law. Among the changes contained in the final bill were a reduction or elimination of many deductions for both individuals and businesses. This document is intended to address questions about how changes to the law will impact casino customers.

Rules for Deducting Gambling Losses

- **Under the new law, those who itemize deductions will continue to be able to deduct gambling losses up to the amount of their total winnings.** For example, a slot player who wins \$25,000 in jackpots may deduct up to that amount in verifiable gaming losses when they fill out an itemized tax form. After making this calculation on the form, the player will only be responsible for paying taxes on any net income they have received from gambling. If losses are greater than winnings, the customer would have no tax liability for their gaming income.
- The new law will impact those who meet the IRS's narrow definition of a "professional gambler" by capping their deductions for both wagering losses and expenses to the amount of their winnings. As an example, a professional gambler who has \$50,000 in winnings can deduct up to that amount in combined losses and expenses such as travel, meals and hotel stays. Prior to these recent changes, professional gamblers were allowed to separately deduct expenses incurred in carrying out wagering transactions (see article linked [HERE](#)) without regard to their wagering wins and losses. This limitation will expire after 2025 unless Congress chooses to extend it.

Other Changes to Consider

- Another consequential change made in this bill was to significantly increase the standard deduction taxpayers may claim (now \$12,000 for individual filers, \$18,000 for heads of household and \$24,000 for joint filers). As a result of this change, estimates indicate 90% of tax filers will no longer choose to itemize deductions under the new regime. For those among the two-thirds of taxpayers who already chose to take the standard deduction, this increase in the standard deduction is likely beneficial and shouldn't impact current treatment of wagering wins and losses. Casino patrons who itemized previously, however, should consult a tax professional to determine whether they will continue to achieve the greatest tax benefit from itemizing under the new law.

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