



LAW  
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OF  
  
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# THE TAXPAYER'S GUIDE TO GAMBLING



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# CHAPTER 1



## DIFFERENT TYPES OF GAMBLING (OVERVIEW)



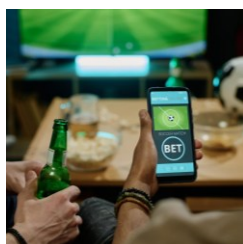
# DIFFERENT TYPES OF GAMBLING (OVERVIEW)

Gambling has become an increasingly common activity across the United States, with millions participating each year in various forms. Understanding the different types of gambling and their unique tax implications is crucial for any taxpayer who participates in these activities.



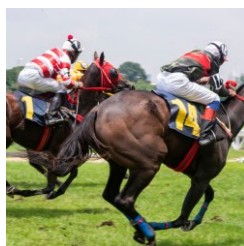
## CASINO GAMES

Casino gambling includes games like Blackjack, Poker, Roulette, and Slots. These games are traditionally available at physical casinos and increasingly popular online. Winnings from casino games are typically reported to the IRS, and casinos often issue Form W-2G for significant jackpots or large winnings, particularly from slot machines.



## SPORTS BETTING

Sports betting has grown exponentially since the Supreme Court's decision to lift federal restrictions in 2018. Bets can range from traditional sports such as football, basketball, and baseball, to more niche activities like mixed martial arts and esports. According to the Tax Foundation, U.S. states collected hundreds of millions in tax revenues from sports betting alone last year.



## HORSE RACING

Horse racing involves betting on races at tracks or online platforms. Winnings are fully taxable, and significant wins often require reporting through Form W-2G if the payout exceeds specific thresholds.



## LOTTERY & SWEEPSTAKES

Lotteries like Powerball or Mega Millions represent another common gambling type. Lottery winnings are always taxable and frequently subject to immediate withholding at the state and federal levels.



## POLITICAL BETTING

Political betting, where gamblers wager on election outcomes or other political events, has gained popularity through online platforms, although legality varies across jurisdictions. Regardless of legality, winnings must still be reported as taxable income.

Each type of gambling comes with specific record-keeping and tax-reporting requirements, so understanding these nuances is vital for compliance and financial planning.

# CHAPTER 2



IS ONLINE AND  
IN-PERSON  
GAMBLING  
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# IS ONLINE AND IN-PERSON GAMBLING DIFFERENT FOR A TAXPAYER?

Gambling continues to evolve, with online platforms rapidly gaining popularity alongside traditional, physical gambling venues like casinos. However, from the IRS's perspective, both forms of gambling carry tax obligations. The key differences for taxpayers lie mainly in the reporting process, documentation, and record-keeping practices.

## IN-PERSON GAMBLING TAX REPORTING

When you gamble in person at casinos or other physical establishments, your winnings are often straightforward to document. For significant payouts, casinos typically issue IRS Form W-2G, clearly indicating the amount won, the taxes withheld, and the date and type of gambling event. Common instances where a W-2G is required include:

- » Slot machine winnings of \$1,200 or more
- » Bingo winnings of \$1,200 or more
- » Poker tournament winnings of \$5,000 or more

Physical casinos are usually diligent in providing these documents to winners, easing the tax reporting process.



## ONLINE GAMBLING TAX REPORTING

Online gambling platforms, such as internet-based poker sites, sportsbooks, and digital casinos, present more complexities regarding documentation. Unlike physical establishments, online platforms may not consistently issue formal tax documents, particularly when operating outside clear regulatory jurisdictions.

For online gambling, taxpayers must be proactive by:

- » Keeping detailed personal records of every gambling transaction.
- » Maintaining clear records of deposits and withdrawals, especially when using electronic payment methods or cryptocurrency.
- » Logging dates, wager amounts, and winnings or losses accurately for tax purposes.



## CRYPTOCURRENCY AND ONLINE GAMBLING

Online casinos that operate using cryptocurrencies like Bitcoin further complicate reporting. Cryptocurrency transactions are subject to both gambling income reporting and capital gains tax treatment, requiring careful tracking of the crypto's value at each transaction.

### KEY CONSIDERATIONS

Regardless of the gambling method, winnings are fully taxable and must be declared as income on your federal tax returns. The IRS treats gambling winnings uniformly, and failure to report them accurately can result in severe penalties or audits.

For taxpayers engaging frequently in online gambling, consulting a tax professional, such as those at **The Law Office of Pietro Canestrelli, A.P.C.**, can help ensure proper compliance and minimize audit risk.



# CHAPTER 3

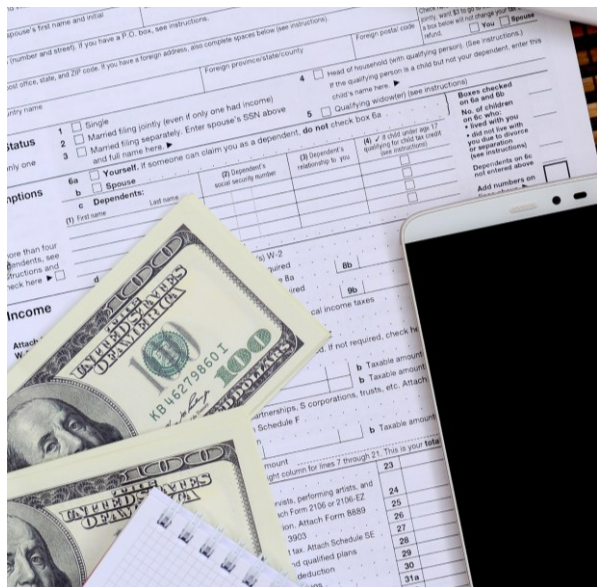


IS GAMBLING IN-  
STATE DIFFERENT  
THAN OUT-OF-  
STATE FOR TAX  
PURPOSES?



# IS GAMBLING IN-STATE DIFFERENT THAN OUT-OF-STATE FOR TAX PURPOSES?

Understanding how gambling winnings are taxed can become especially complex when gambling activities occur across state lines. Taxpayers often ask: Is there a difference between winning at home and winning elsewhere? The short answer is yes, and it's crucial for gamblers to understand the implications clearly.



## STATE TAXES ON GAMBLING WINNINGS

Each U.S. state maintains its own unique tax regulations regarding gambling winnings. Some states, such as **Nevada, Florida, and Texas**, do not levy state taxes on gambling winnings, while others like **New York, California, and New Jersey** have significant tax obligations on gambling income.

According to data from the **Tax Foundation**, state tax rates on gambling winnings vary substantially, ranging from 0% in gambling-friendly states to upwards of 10% in states with stricter tax laws. In states with higher rates, the impact on a taxpayer's winnings can be substantial, making it essential to plan accordingly.

## OUT-OF-STATE GAMBLING WINNINGS

When you gamble out-of-state, the state where the winnings occur often has the first right to tax the winnings, known as "source taxation." For example, if a California resident wins a large jackpot while visiting Las Vegas, Nevada (a no-tax state for gambling winnings), no state taxes apply from Nevada. However, the California resident must still report these winnings back home, and California state taxes will be due.

In contrast, if a California resident wins money gambling in New York, New York state taxes apply at the source. The taxpayer must pay New York taxes first and may later claim a credit against their California tax liability to avoid double taxation. Documentation and careful record-keeping become crucial to prevent paying excessive taxes or facing penalties.



## RESIDENCY AND STATE TAX OBLIGATIONS

Residency status is a key factor in determining your state tax obligations. Your state of residence typically taxes you on gambling income earned everywhere, regardless of where the winnings occurred. Non-resident gamblers may face withholding taxes at the source state, depending on state-specific rules.

## DOCUMENTATION AND RECORD-KEEPING TIPS

To avoid tax headaches from cross-state gambling, taxpayers should:



At The Law Office of Pietro Canestrelli, A.P.C., experienced tax attorneys can assist with navigating these complex state tax issues, ensuring you remain compliant while maximizing your tax benefits.

# CHAPTER 4



ARE ONLINE /  
CRYPTO CASINOS  
LEGAL, AND DO I  
HAVE TO REPORT  
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# ARE ONLINE / CRYPTO CASINOS LEGAL, AND DO I HAVE TO REPORT WINNINGS?

As the landscape of gambling rapidly evolves, online and crypto casinos have surged in popularity. However, they often raise complex legal and tax questions for gamblers. Understanding the legality of these casinos and their tax implications is essential for avoiding potential pitfalls.

## LEGALITY OF ONLINE CASINOS IN THE U.S.

Online gambling legality in the United States is regulated at both federal and state levels. After the 2018 Supreme Court decision (Murphy v. NCAA), which opened sports betting nationwide, many states have introduced or legalized various forms of online gambling:

### FULLY LEGAL STATES

New Jersey, Pennsylvania, Nevada, Michigan, and others have fully regulated online casinos and sportsbooks.

### PARTIAL LEGALITY

Many states allow only online sports betting or lottery activities.

### STRICTLY PROHIBITED STATES

A few states, such as Utah and Hawaii, maintain a complete ban on all gambling activities, including online casinos.

Taxpayers must always verify the legality of online gambling within their jurisdiction to avoid legal troubles.

## ARE CRYPTO CASINOS LEGAL?

Crypto-based online casinos operate in a complex and often unclear legal environment. Since cryptocurrencies themselves exist outside traditional financial systems, crypto casinos frequently exploit regulatory gray areas.

- » **Federal Level:** Currently, no federal law explicitly addresses crypto casinos, but general gambling laws still apply.
- » **State Level:** Crypto casinos are generally illegal if a state explicitly bans online gambling. Enforcement varies significantly by jurisdiction.



# REPORTING REQUIREMENTS FOR ONLINE AND CRYPTO CASINO WINNINGS

Regardless of legality, the IRS unequivocally mandates that all gambling winnings—whether obtained through traditional online platforms or crypto casinos—are taxable income and must be reported.

Key points taxpayers should know:



**Gambling winnings**, regardless of payment method (cash, bank transfer, or cryptocurrency), must be reported on federal income tax returns.



**Cryptocurrency transactions** introduce additional complexity. Besides income tax obligations on winnings, crypto transactions may trigger capital gains taxes when winnings are converted to fiat currency (e.g., U.S. dollars).



**Documentation:** Maintain clear records of all online gambling transactions. This includes screenshots of winnings, transactions, withdrawals, deposits, and especially crypto-to-dollar conversion records.



## CRYPTO TAXATION COMPLEXITY

Crypto casinos complicate tax matters further because of cryptocurrency's volatility. Taxpayers need to track:

- » **Value of cryptocurrency at the time of winning** (for income tax purposes).
- » **Value at the time of conversion or use** (for capital gains purposes).

Accurate reporting of cryptocurrency winnings requires meticulous record-keeping, as underreporting can lead to severe IRS penalties or audits.

## ESSENTIAL COMPLIANCE TIPS

- » Always report winnings from online and crypto casinos, regardless of the casino's location or perceived legality.
- » Keep detailed records, especially when dealing with cryptocurrency.
- » Consult professional tax attorneys familiar with crypto and gambling taxation complexities to ensure compliance.

The experts at **The Law Office of Pietro Canestrelli, A.P.C.** specialize in cryptocurrency taxation and can guide you through the reporting process, helping you remain compliant and protected from potential IRS scrutiny.

# CHAPTER 5



## INVESTMENT STRATEGIES TO OFFSET WINNINGS



# INVESTMENT STRATEGIES TO OFFSET WINNINGS

Winning big at the casino or online sportsbook can be thrilling—but it can also lead to a hefty tax bill. Fortunately, there are legal and strategic ways to offset your gambling income through smart investments and tax planning. The goal isn't to hide your winnings, but to manage the tax liability that comes with them.

## 01.

### CAPITAL LOSS HARVESTING

Capital loss harvesting is a strategy that allows you to **offset gambling winnings with realized investment losses**. Here's how it works:

- » If you have investments (like stocks or crypto) that are currently down in value, you can sell them at a loss.
- » These losses can be applied against capital gains and—most importantly—against your gambling income as **miscellaneous deductions** (if you itemize).
- » If your capital losses exceed your gains, you can deduct up to \$3,000 (\$1,500 if married filing separately) of excess losses against your ordinary income annually.

#### IMPORTANT

This strategy works best when you also have gambling losses to report alongside your winnings (using IRS Form 1040, Schedule A).

## 02.

### MAXIMIZE RETIREMENT CONTRIBUTIONS

Using your gambling winnings to fund tax-advantaged retirement accounts can significantly reduce your taxable income.

- » **Traditional IRA:** Contributions are tax-deductible depending on your income level and participation in a workplace retirement plan.
- » **401(k) or Solo 401(k) (for self-employed individuals):** Allows for higher contribution limits.
- » **SEP IRA:** Great option for high-income earners or freelancers who might have irregular gambling income.

Not only do these accounts provide immediate tax deductions, but they also offer long-term investment growth with tax-deferred or tax-free benefits.



# 03.

## CHARITABLE DONATIONS

Gambling winnings can be **offset by making charitable donations** to qualified nonprofits.

- » Donations must be made to 501(c)(3) organizations to qualify for tax deductions.
- » Keep written records and receipts of any contributions over \$250.
- » If you win big and find yourself in a higher tax bracket, a donation can also shift you into a lower bracket, reducing overall liability.

This strategy not only reduces taxes but also contributes to social causes—providing both financial and ethical benefits.

# 04.

## USE GAMBLING LOSSES STRATEGICALLY

The IRS allows taxpayers to deduct gambling losses—but only up to the amount of gambling winnings reported. This deduction is only available if you itemize deductions and report the income accurately.

- » Keep detailed logs of all losses, including tickets, receipts, and bank statements.
- » Consider using gambling logbooks or specialized tracking apps.

If you had multiple wins and losses throughout the year, reporting them accurately can drastically reduce your total taxable winnings.

# 05.

## FUND HEALTH SAVINGS ACCOUNTS (HSAS)

If you have a high-deductible health insurance plan, consider contributing your winnings to a **Health Savings Account (HAS)**:

- » Contributions are tax-deductible.
- » Funds grow tax-free.
- » Withdrawals used for qualified medical expenses are also tax-free.

This is a triple-tax-advantaged way to save and invest any lump-sum winnings.

## SUMMARY

While gambling winnings are considered income and taxed accordingly, smart financial planning can help you retain more of your earnings legally. Working with a financial advisor or tax attorney ensures you maximize these strategies while staying compliant with IRS rules.

At The Law Office of Pietro Canestrelli, A.P.C., we assist clients in integrating their gambling winnings into broader investment and tax strategies, ensuring long-term financial health.

# CHAPTER 6



ARE SOME GAMES  
BETTER TO WIN  
AT THAN OTHERS  
FOR TAX  
PURPOSES?



# ARE SOME GAMES BETTER TO WIN AT THAN OTHERS FOR TAX PURPOSES?

Not all gambling activities are created equal—especially when it comes to how winnings are taxed and reported. While the IRS treats all gambling income as taxable, some games offer distinct advantages or disadvantages when it comes to ease of documentation, audit risk, and tax strategy.

## 01.

### GAMES WITH CLEAR PAPER TRAILS

Some games are inherently easier to report because they produce clear, verifiable documentation that satisfies IRS standards. These games are generally considered “better” to win at from a tax standpoint:



#### SLOT MACHINES & ELECTRONIC BINGO

- » Casinos typically issue Form W-2G automatically when winnings exceed \$1,200.
- » Payments are electronically tracked and reported by the casino.
- » Easy to verify and document for your tax return.

#### POKER TOURNAMENTS

- » Tournament operators issue W-2Gs for winnings exceeding \$5,000 after buy-in.
- » Tournaments provide detailed records (entrance fees, net winnings), which help validate your claims.

#### STATE LOTTERIES

- » Winnings above a certain threshold are reported and subject to withholding at both federal and state levels.
- » Lottery agencies issue W-2Gs and may withhold taxes upfront, making year-end filing easier.

# 02.

## GAMES WITH POOR DOCUMENTATION OR AUDIT RISK

Certain types of gambling make accurate tax reporting more difficult due to inconsistent or nonexistent documentation:

### CASH POKER GAMES / TABLE GAMES

- » Winnings are usually paid in chips or cash.
- » No automatic tracking or reporting by the casino.
- » Burden falls entirely on the player to track wins and losses.
- » High audit risk if the IRS sees a large income jump without clear records.

### SPORTS BETTING

- » Online platforms may not issue W-2Gs unless legally required.
- » Payouts and losses are often small and frequent, making detailed tracking cumbersome.
- » Betting across multiple platforms increases the complexity of accurate reporting.

### FANTASY SPORTS / SKILL GAMES

- » Often operate in legal gray areas depending on the state.
- » May or may not be classified as gambling.
- » Winnings typically reported via 1099-MISC or 1099-K for large sums.
- » Classification of income may be questioned by the IRS.



# 03.

## CRYPTO AND OFFSHORE CASINOS: RISK AMPLIFIED

Gambling via cryptocurrency or offshore casinos may sound appealing due to anonymity and lack of oversight, but they're highly risky from a tax perspective.

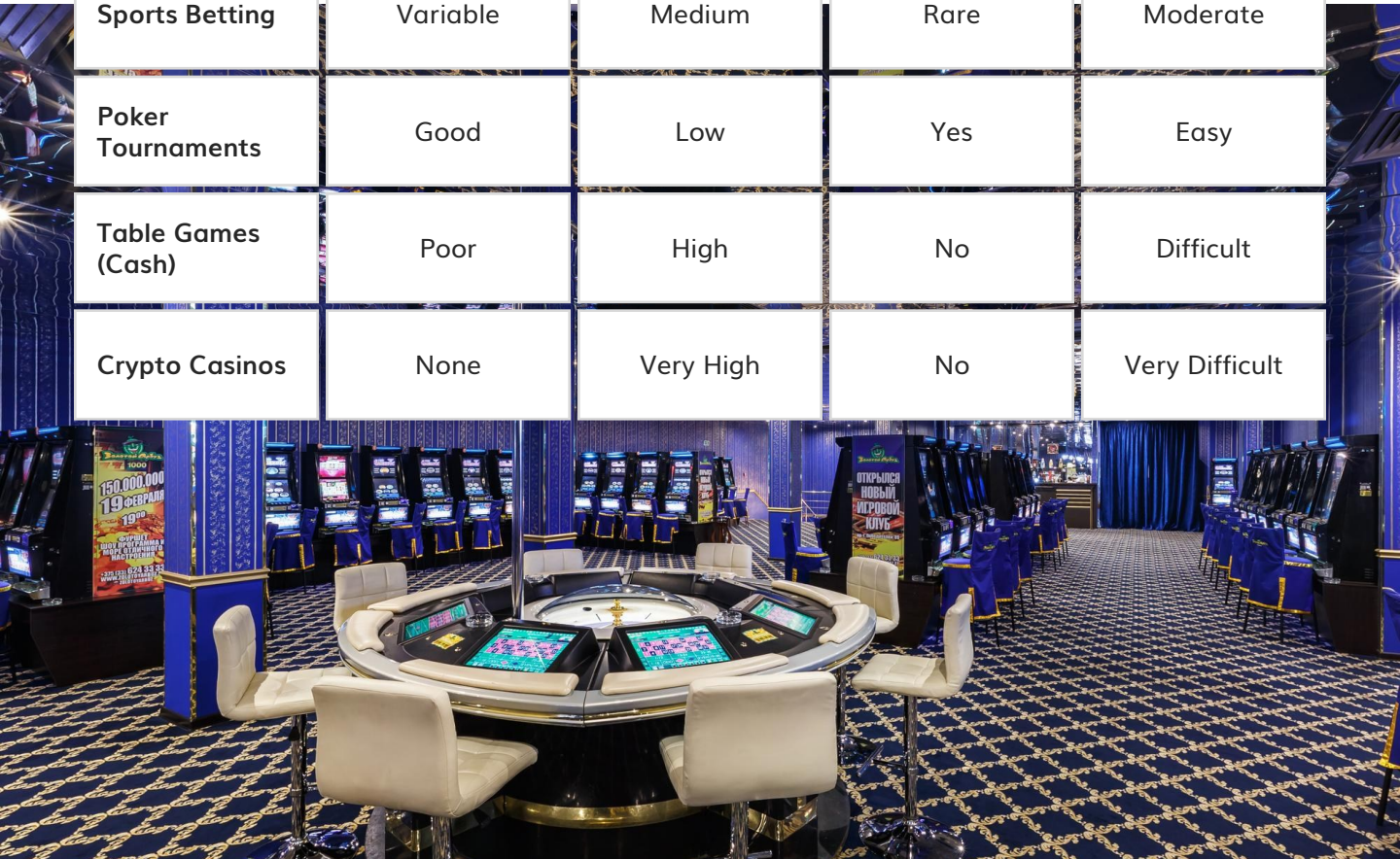
- » **No third-party documentation** (W-2G, 1099s) provided.
- » **Self-reporting required**, making IRS scrutiny more likely.
- » **Crypto adds complexity**, requiring valuation at time of win and potential capital gains reporting.

Taxpayers who fail to report crypto winnings properly may face both civil and criminal IRS penalties.

# 04.

## WHICH GAMES OFFER BETTER OUTCOMES TAX-WISE?

Game Type	Documentation Quality	Audit Risk	Tax Withholding?	Reporting Ease
Slot Machines	Excellent	Low	Yes	Easy
Poker Tournaments	Good	Low	Yes	Easy
Sports Betting	Variable	Medium	Rare	Moderate
Poker Tournaments	Good	Low	Yes	Easy
Table Games (Cash)	Poor	High	No	Difficult
Crypto Casinos	None	Very High	No	Very Difficult



### KEY TAKEAWAY

From a tax perspective, games that automatically generate verifiable documentation—such as slots, lotteries, and poker tournaments—are preferable. They not only simplify tax reporting but also reduce the chance of triggering an IRS audit.

To ensure your winnings are properly documented and reported, consult a qualified tax professional. At **The Law Office of Pietro Canestrelli, A.P.C.**, we help clients navigate the nuances of gambling taxation, especially in complex scenarios involving undocumented games or crypto assets.



# CHAPTER 7



## WHAT NOT TO DO AFTER WINNING

# WHAT NOT TO DO AFTER WINNING

Winning big—whether in Vegas, online, or on your favorite sportsbook—can be life-changing. But that joy can quickly turn into panic if you make poor financial or legal decisions afterward. The IRS doesn't care whether you planned on becoming a winner; they care that you report it correctly and pay your fair share.

Here's what **not to do** after winning:

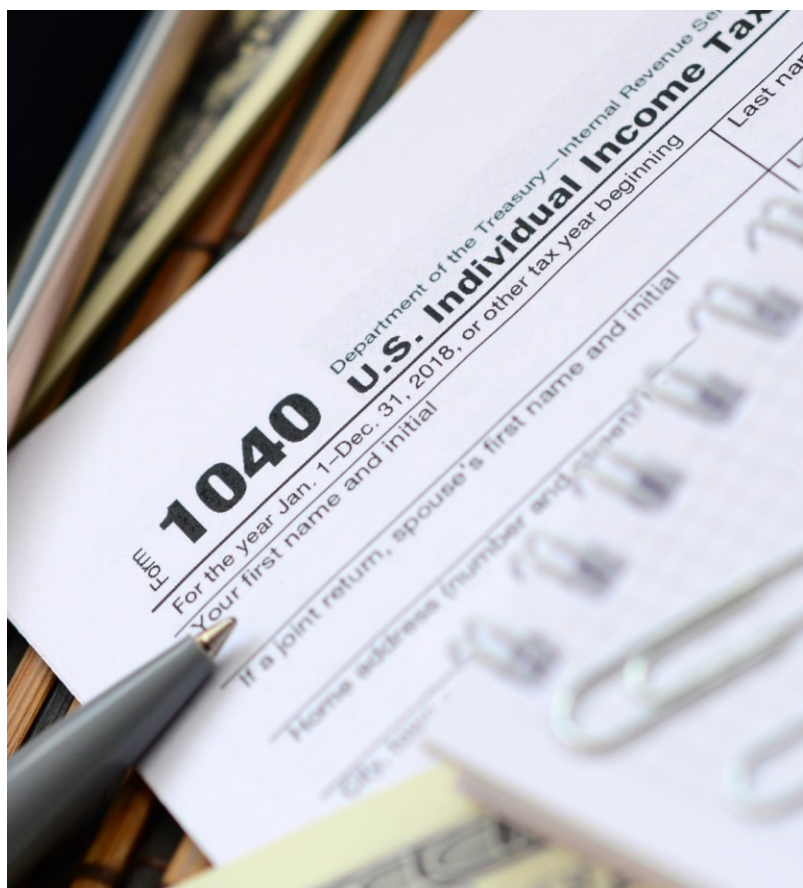
## 01.

### DON'T ASSUME THE IRS WON'T NOTICE

Many taxpayers believe small or sporadic winnings can fly under the radar. That's a dangerous assumption.

- » **Casinos, sportsbooks, and online platforms often issue Form W-2G or 1099s**—and they send copies directly to the IRS.
- » **Crypto wallets and exchanges** are increasingly being monitored by the IRS and flagged for high transaction volumes.

Failing to report your winnings can result in **audits, penalties, interest, or even criminal tax charges**.



## 02.

### DON'T SPEND BEFORE YOU PLAN

It's easy to let excitement take over and start spending before you understand the tax consequences. But gambling winnings are considered **ordinary income** and taxed accordingly.

For example:

- » Win \$100,000? You could owe up to 35% in federal taxes (or more with state tax).
- » Spend it all before tax season? You might not have enough left to cover what's owed.

**Always set aside 25–35% of your winnings for taxes before spending.**

## 03.

### DON'T FORGET TO DOCUMENT YOUR LOSSES

Many people forget that while gambling **losses are deductible**, they're only deductible **up to the amount of winnings**—and only if you itemize deductions.

What to document:

- » Betting slips
- » Online transaction logs
- » Casino receipts
- » Bank statements showing deposits/withdrawals

Without documentation, the IRS will ignore your losses—leaving you taxed on 100% of your winnings.

## 04.

### DON'T RELY ON MEMORY OR GUESSWORK

Even if you gamble frequently, guessing your total profit or loss for the year is risky.

- » The IRS expects accurate records.
- » Guessing wrong could lead to underreporting and penalties.
- » Use a **gambling diary**, spreadsheet, or app to track every wager, win, and loss.



## 05.

### DON'T TRY TO LAUNDER THE MONEY

Trying to “wash” gambling winnings by giving them to friends, depositing them in another person’s bank account, or converting them to crypto to avoid taxes is illegal.

- » These actions can trigger audits, civil penalties, or **criminal tax evasion charges**.
- » The IRS has advanced fraud detection systems—don’t gamble with them.



# 06.

## DON'T GO IT ALONE

- » If you've had a substantial win—or even frequent smaller wins—it's wise to seek professional guidance. The tax implications of gambling vary based on:
- » Income level
- » Filing status
- » State residency
- » Type of gambling (cash, crypto, offshore, etc.)

A tax attorney can help you:

- » Strategically plan deductions
- » Report correctly
- » Defend against IRS scrutiny

## SUMMARY: YOUR POST-WIN CHECKLIST

- » Set aside a portion of your winnings for taxes
- » Track every win and loss with detailed records
- » Don't make large purchases until you know the tax bill
- » Report winnings accurately—regardless of source
- » Consult a professional if you're unsure

At **The Law Office of Pietro Canestrelli, A.P.C.**, we help clients nationwide manage gambling-related tax issues. Whether it's a jackpot, crypto payout, or sports bet, we ensure you stay compliant, protected, and financially secure.

