

# Are March Madness Winnings Taxable?

## *3 Reporting Tips All Gamblers Should Know*

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March Madness starts in a couple of weeks. If you're planning to bet on your favorite team in the Big Dance, don't forget to set aside Uncle Sam's cut if you win. March Madness winnings are considered gambling income, which means you have to pay taxes on them. Yes, even the office pool brackets count! You don't want to find yourself facing consequences from the IRS, so here are three tax tips that can help with reporting all of your gambling winnings.

### **What should I do if I win?**

If you win, you may get a Form W-2G, Certain Gambling Winnings. The IRS also receives a copy of this form. Now, the majority of March Madness betting is the popular office pool, and it is very unlikely that you will ever receive some kind of tax form for your winnings in an office pool. Still, your winnings are taxable whether or not you receive a W-2G.

The IRS depends on voluntary reporting for these types of winnings, however, they're mostly out of luck; March Madness produces a tremendous amount of taxable income that goes unreported each year. You don't want the IRS crying foul if they decide to take a closer look at your tax return; so, you should report your winnings as other ordinary income.

### **Can I deduct my losses?**

Yes, you can deduct your losses, but only to the extent of your winnings. For example, if you are in a pool that cost you \$100 to enter and you win \$1,000, you can deduct the \$100 against your \$1,000 winnings. You can deduct your gambling losses on Schedule A, Itemized Deductions.

### **What if I win a prize instead of money?**

If you enter a March Madness pool and you win a prize – for example, a car or a vacation – you may receive a W-2G or a 1099-MISC (if it is considered a prize), which would reflect the fair value of the winning/prize. You are required to report the amount as income and pay taxes on it. Even if you don't receive a form, your car or vacation is still reportable income.

The problem you can run into with winning a prize, instead of cash, is that you have to pay taxes on the fair value of the prize, and most people don't have that kind of money to spare; so, they end up selling the prize to pay the tax.

Remember to keep track of your wins and losses. You should always keep records such as a gambling log or diary, receipts, statements or tickets. Finally, if you by chance win that elusive \$1 million prize for a perfect bracket, be sure to enlist the help of your Henry & Horne, LLP professional tax adviser.

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