

Reporting Winnings and Withholding Income Tax

It's Saturday night again, and your organization is hosting a bingo game meeting the statutory bingo exclusion. Mr. S pays \$5 for a bingo card and sits down to play. "B-I-N-G-O!!!" It's Mr. S's lucky night. He wins the game and the jackpot of \$1,200. In tax terminology, the "wager" is \$5 and the "winnings" are \$1,200. Did you know that your organization must report Mr. S's winnings to the IRS?

Reportable Winnings

If you pay the winner or winners of a game more than a certain amount, you must report the amount and information about the winner(s) to the IRS. The threshold amount at which winnings become reportable depends on the type of game involved.

Unless the winnings are from poker, keno, bingo, or slot machines, you must report a payment of winnings, including raffle prizes, when the amount paid is:

- \$600 or more, and
- At least 300 times the amount of the wager.

In determining whether the \$600 threshold is met, you may reduce the winnings by the amount of the wager.

Example: Mr. G buys a \$2 raffle ticket from your organization. At the raffle, Mr. G's number is drawn and he wins \$1,000. Because the winnings (\$998) are greater than \$600 and more than 300 times the amount of the wager, you must report Mr. G's winnings to the IRS.

Example: Mr. S buys a \$2 pull-tab and wins \$600. You may reduce the winnings by the amount of the wager, in which case the winnings are \$598. You do not have to report Mr. S's winnings because the \$600 threshold is not met.

Keno Games: Keno is a gambling game, a variety of

the game of lotto, played with numbered balls or knobs, and cards also numbered.

You must report winnings from a keno game that are \$1,500 or more after deducting the amount of the wager. That is, you must reduce the amount of the winnings by the amount of the wager in determining whether the \$1,500 threshold is met.

Example: One of your gaming activities is keno. Ms. E wagers \$5 on keno and wins \$1,500. The winnings are less than \$1,500 after deducting the amount of the wager (\$1,495), so you do not have to report Ms. E's winnings.

Bingo Games and Slot Machines: You must report winnings from a bingo game or slot machine that are \$1,200 or more before deducting the amount of the wager.

Example: You have a slot machine in the barroom of your lodge. Ms. C feeds a quarter into the slot machine and wins \$1,200. You must report Ms. C's winnings because the winnings are \$1,200 or more before deducting the amount of the wager.

Poker Tournaments: If you sponsor a poker tournament, you must report any winnings of more than \$5,000 after deducting the wager (i.e., the entry or "buy-in" fee). You need not report poker tournament winnings paid before March 4, 2008, or winnings that are \$5,000 or less.

Reporting Winnings

Each time you pay reportable winnings, you must complete a Form W-2G, *Certain Gambling Winnings*, to report those winnings to the IRS and to the person receiving the winnings (the "payee"). The payee should provide you with his or her name, address, and taxpayer identification number (e.g., social security number), and you should verify the information from the person's driver's license, social security card, voter registration card, or other proper identification.

If you use a paper form, you must file copy A of Form W-2G with the IRS by February 28 following the calendar year in which you paid the winnings. Use Form 1096 to transmit paper Forms W-2G to the IRS. If you file electronically, you must file Form W-2G by March 31 following the calendar year in which you paid the winnings. If you complete 250 or more Forms W-2G in a year, you cannot file the paper form; you must file electronically instead.

Summary of Reportable Winnings

Type of Game	Winnings Amount at Least:	Reduced by Amount of Wager?
Bingo	\$1,200	No
Slot machines	\$1,200	No
Keno	\$1,500	Yes
Other wagering transactions (e.g., instant bingo, pull-tabs, raffles, etc.)	\$600 and at least 300 times the wager	At option of payer
Poker tournaments	\$5,000.01	Yes