Getting Ready for a Gambling Audit

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At A Glance

• Card Rooms - $1.18 billion
• Commercial Casinos - $34.41 billion
• Charitable Games and Bingo - $2.22 billion
• Indian Casinos - $26.02 billion
• Legal Bookmaking - $168.8 million
• Lotteries - $24.78 billion
• Pari-mutuel Wagering - $3.50 billion
• Grand Total - $92.27 billion
• Source Wikipedia

Concerns of the Practitioner

• Gambling Audits are difficult due to the recordkeeping requirements
• Recordkeeping is the key, but lack of recordkeeping is generally the rule
• Preparation is the key
• Pre-Audit is a MUST
• What records are needed to present to the auditor
• How can I best help the client survive the audit
Gamblers

- Generally gamblers pay more tax than they have to.
- They do not accurately:
  - Track
  - Report and
  - Deduct their gambling losses.
- When audited IRS generally disallows losses due to lack of substantiation and can at times increase income.

What is Taxable/Losses

- Gambling winnings are fully taxable.
- Reported on Line 21, losses do not net winnings.
- Losses are required to be deducted on Schedule A: Itemized Deductions.
- Losses are limited to winnings §165(d).

Tracking Income

- Tracking Income can increase the allowable losses on Schedule A.
- Tracking Losses can increase the itemized deductions on Schedule A.
  - Can also make a difference between claiming the standard deduction or claiming an itemized deduction.
What is the Best Type of Record?

- Diary of gambling activity
- The activity recorded must be contemporaneous
- Each gaming session should be recorded
- ATM withdrawals noted in diary and receipt attached to that activity
- Cash used for that session should be recorded
- Cash take home should be recorded
- Using the casino card for slot can support and provide a total of ins and out for the day but will often not be accepted by the auditor

Problem

- Not all gambling is reported on Form W-2 G
- Courts have recognized that it is impossible to record each session
- Courts have allowed gamblers to group together a series of activities that can be identified by a specific time period or location
  - Play at one casino in the am, then at another casino in the pm – 2 gambling sessions have occurred
  - If start at black jack then switch to slots – player has 2 gambling sessions
  - Entering a poker tournament = 1 session
  - Every horse or dog race at a track is a separate gambling session

Rev. Proc. 77-29

- The purpose of this revenue procedure is to provide guidelines to taxpayers concerning the treatment of wagering gains and losses for Federal income tax purposes and the related responsibility for maintaining adequate records in support of winnings and losses
Let’s Start at the Beginning

- Income derived from wagering transactions is includible in gross income under the provisions of § 61 of the Internal Revenue Code of 1954
- Losses from wagering transactions are allowable only to the extent of gains from such transactions, under § 165(d) of the Code, and may be claimed only as an itemized deduction
- Temporary Reg. § 7.6041-1, effective May 1, 1977, require all persons in a trade or business who, in the course of that trade or business, make any payment of $1,200 or more in winnings from a bingo game or slot machine play, or $1,500 or more in winnings from a keno game, to prepare Form W-2G, Statement for Certain Gambling Winnings, for each person to whom the winnings are paid

Determining Winnings Per Rev. Proc. 77-29

- In determining whether such winnings equal or exceed the $1,500 reporting floor and in determining the amount to be reported on Form W-2G in the case of a keno game, the amount of winnings from any one game shall be reduced by the amount wagered for that one game
- In the case of bingo or slot machines, the total winnings will not be reduced by the amount wagered

Determining Winnings Per Rev. Proc. 77-29

- Winnings of $600 or more, unreduced by the amount of the wagers, must also be reported for every person paid gambling winnings from horse racing, dog racing, or jai alai, if such winnings are at least 300 times the amount wagered
- Winnings of $600 or more, unreduced by the amount of the wagers, must also be reported for every person paid gambling winnings from state conducted lotteries
What the Code Requires?

- Under § 6001 of the Code, taxpayers must keep records necessary to verify items reported on their income tax returns
- Records supporting items on a tax return should be retained until the statute of limitations on that return expires

What the Rev. Proc. states as Required Records

- An accurate diary or similar record regularly maintained by the taxpayer, supplemented by verifiable documentation will usually be acceptable evidence for substantiation of wagering winnings and losses
- In general, the diary should contain at least the following information:
  - Date and type of specific wager or wagering activity;
  - Name of gambling establishment;
  - Address or location of gambling establishment;
  - Name(s) of other person(s) (if any) present with taxpayer at gambling establishment; and
  - Amount(s) won or lost

Key Terms to Remember

- Record
- Regularly maintained
- Supplemented by verifiable documentation
- Acceptable evidence
Documnetation

• Verifiable documentation for gambling transactions includes but is not limited to:
  – Forms, W-2G;
  – Forms 5754, Statement by Person Receiving Gambling Winnings;
  – Wagering tickets
  – Canceled checks,
  – Credit records,
  – Bank withdrawals, and
  – Statements of actual winnings or payment slips provided to the taxpayer by the gambling establishment

More Documentation

• Where possible, the diary and available documentation generated with the placement and settlement of a wager should be further supported by other documentation of the taxpayer’s wagering activity or visit to a gambling establishment
• Such documentation includes, but is not limited to
  – Hotel bills
  – Airline tickets,
  – Gasoline credit cards, 
  – Canceled checks,
  – Credit records,
  – Bank deposits, and
  – Bank withdrawals

More Documentation

• Additional supporting evidence could also include affidavits or testimony from responsible gambling officials regarding wagering activity
Keno

- Copies of keno tickets purchased by the taxpayer and validated by the gambling establishment
- Copies of the taxpayer’s casino credit records, and
- Copies of the taxpayer’s casino check cashing records

Slot Machines

- A record of all winnings by date and time that the machine was played
- (In Nevada, the machine number is the number required by the State Gaming Commission and may or may not be displayed in a prominent place on the machine
- If not displayed on the machine, the number may be requested from the casino operator

Table Games

- Twenty One (Blackjack)
- Craps
- Poker
- Baccarat
- Roulette
- Wheel of Fortune, Etc.
- The number of the table at which the taxpayer was playing
- Casino credit card data indicating whether the credit was issued in the pit or at the cashier’s cage
Bingo

- A record of the number of games played
- Cost of tickets purchased and
- Amounts collected on winning tickets
- Supplemental records include any receipts from the casino, parlor, etc

Racing: Horse, Harness, Dog, Etc

- A record of the races
- Entry amounts of wagers
- Amounts collected on winning tickets and
- Amounts lost on losing tickets
- Supplemental records include unredeemed tickets and payment records from the racetrack

Lotteries

- A record of ticket purchases
- Dates
- Winnings and losses
- Supplemental records include unredeemed tickets, payment slips and winnings statement
Limitations

• Rev. Proc. 77-29 provides:
  – A general guideline to assist taxpayers in establishing their reportable gambling gains and deductible gambling losses
• When following the guidelines it will enable most taxpayers to meet their obligations under the Internal Revenue Code
  – The guidelines are not all inclusive
• The tax liability of each depends on the facts and circumstances of particular situations

IRS Chief Counsel Advice Memorandum 2008-011

• A key question in interpreting Section 165(d) is the significance of the term “transactions”
• The statute refers to gains and losses in terms of wagering transactions
• Some would contend that transactions mean every single play in a game of chance or every wager made
• Under that reading, a taxpayer would have to calculate the gain or loss on every transaction separately and treat ever play or wager as a taxable event
• The gambler would also have to trace and re-compute the basis through all transactions to calculate the result of each play or wager

What the Courts Have Determined

• Courts considering that reading have found it unduly burdensome and unreasonable
  – Green v. Commissioner, 66 TC 538 (1976);
  – Szkirscak v. Commissioner, T.C. Memo. 1980-129
• Moreover, the statute uses the plural term “transactions” implying that gain or loss may be calculated over a series of separate plays or wagers
Better View

• The better view is that a casual gambler, such as the taxpayer who plays the slot machines, recognizes a wagering gain or loss at the time they redeems tokens
• “We think the fluctuating wins and losses left in play are not accessions to wealth until the taxpayer redeems the tokens and can definitively calculate the amount above or below basis (the wager) realized”
  – Commissioner v. Glenshaw Glass Co., 348 U.S. 426 (1955)

Example

• A casual gambler who enters a casino with $100 and redeems the tokens for $300 after playing the slot machines has a wagering gain of $200 ($300 – $100)
• This is true even though the taxpayer may have had $1,000 in winning spins and $700 in losing spins during the course of play
• Likewise, a casual gambler who enters a casino with $100 and loses the entire amount after playing the slot machines has a wagering loss of $100, even though the casual gambler may have had winning spins of $1,000 and losing spins of $1,100 during the course of play

Calculating the Taxpayer’s Gains and Losses

• The taxpayer purchased and subsequently lost $100 worth of tokens on five separate occasions
• As a result, the taxpayer sustained $500 of wagering losses ($100 x 5)
• The taxpayer also sustained losses on two other occasions, when the taxpayer redeemed tokens in an amount less than the $100 (basis) of tokens originally purchased
• The loss is the basis of the bet ($100 in tokens) minus the amount of the tokens eventually redeemed
• Therefore, on the day the taxpayer redeemed $20 worth of tokens, the taxpayer incurred an $80 wagering loss ($100 – $20)
• On the day the taxpayer redeemed $70 worth of tokens, the taxpayer incurred a $30 wagering loss ($100 – $70)
Calculating the Taxpayer’s Gains and Losses

- On three occasions, the taxpayer redeemed tokens in an amount greater than the $100 of tokens originally purchased
- The amount redeemed less the $100 basis of the wager constitutes a wagering gain
- On the day the taxpayer redeemed $150 worth of tokens, the taxpayer had a $50 wagering gain ($150 – $100)
- On the day the taxpayer redeemed $200 worth of tokens, the taxpayer had a $100 wagering gain ($200 – $100)
- And on the day the taxpayer redeemed $300 worth of tokens, the taxpayer had a $200 wagering gain ($300 – $100)

Calculating the Taxpayer’s Gains and Losses

- For the year, the taxpayer had total wagering gains of $350 ($50 + $100 + $200) and total wagering losses of $610
- The taxpayer’s losses exceeded the wagering gains for the taxable year by $260 ($610 – $350)
- The taxpayer must report the $350 of wagering gains as gross income under §5 61
- However, under § 165(d), the taxpayer may deduct only $350 of the $610 wagering losses
- The taxpayer may not carry over the excess wagering losses to offset wagering gains in another taxable year or offset non-wagering income

Calculating the Taxpayer’s Gains and Losses

- A casual gambler who elects to itemize deductions may deduct wagering losses, up to wagering gains, on Form 1040, Schedule A
- In this case, the taxpayer may deduct only $350 of the $610 of wagering losses as an itemized deduction
- A casual gambler who takes the standard deduction rather than electing to itemize may not deduct any wagering losses
  – Rev. Rul. 54-339
Social Security Taxability

- Gamblers must report wagering gains, even though their losses over a tax year exceed their gains
- That increases a casual gambler’s AGI and has a significant tax impact (especially on low income taxpayers), because many tax benefits phase out as AGI increases, e.g. exclusion of social security payments

Affordable Care Act

- Gambling can also impact a person’s eligibility for a Premium Tax Credit
- Increasing household income thus making them ineligible for health care subsidies

Issue to Overcome

- Casino win and loss statements are not adequate records
- Gambling is an IRS target due to the broad knowledge that players do not keep records
Courts

- Courts have relied on all sorts of documentation:
  - Napkins
  - Calendars
  - Scraps of paper
  - Various other documentation

Reports

- Slot jackpots and Bingo Wins $1,200 or more
- $1,500 or more in proceeds from Keno
  - The amount of winnings minus the amount of wager
- More than $5,000 in winnings from a poker tournament
  - Reduced by the wager or buy-in
- $600 or more gambling winnings and the payout is at least 300 times the amount wagered
  - Except winnings from bingo, keno, slot machines and poker tournaments
- Any other gambling winning subject to federal income tax withholding

The Pen Can Be Mighty

- Without a Diary the Gambling Loss can be Disallowed
- Similar to other tax deductions, if they cannot be substantiated, they are disallowed
- Prove It or Lose It
- Without a diary, income can questioned and the Revenue Agent will perform a bank deposit analysis to determine actual income
Record Tips

• The gambler should notate bank deposit slips as well as withdrawal slips
• All ATM receipts should be kept if the withdraw is for gambling

Helping the Client with No Records

• Review the Information Document Request
• Perform an audit on the return itself by:
  – Bank Deposit Analyses
  – Track all deposits, transfers and withdrawals
  – Determine which deposits are gambling winnings
• Question the client on their gambling habits
  – Casinos they generally gamble at
  – Particular days they regularly gamble
  – Do they use an ATM to get cash
  – Do they write checks or use credit cards
    • Analyze credit card statements/Verify checks written

Helping the Client with No Records

• Does the client gamble with others who may have dates of record that the casino was frequented
• Did the client use the “Card”? Get a copy as a starting place but do not rely on it entirely
• Reconstruct the records
• Make sure the information documents tie with what is on the return and try to match with bank deposits
Keys

• Income is generally easier to prove than losses
• IRS will generally try to eliminate the losses when they cannot generate an income adjustment
• Do not net losses with winnings on line 21 – CP2000 issue
• Remember winnings are always more than what is reported on the Information Documents

Professional Gamblers

• Different Rules Apply

Commissioner v. Groetzinger

• In Commissioner v. Groetzinger, the Court held that a full time gambler who makes wagers for his own account may be engaged in a “trade or business” under §162(a)
• The Court considered the trade or business of gambling to be like any other trade or business for which a taxpayer may deduct qualified business expenses under § 162
• The Court did not define business expenses as wagering losses subject to the § 165(d) limitation on deductibility
• The Court necessarily rejected the reading of § 165(d) as covering business expenses, because such a reading would presume all of a professional gambler’s business expenses are limited by § 165(d) and would preclude the possibility of the § 162 business expense contemplated by the Court
Commissioner v. Groetzinger

• Prior to Groetzinger, the Service distinguished wagering losses subject to § 165(d) from § 162 expenses, and Groetzinger neither addressed nor disturbed the existing administrative position

• Rev. Rul. 54-219 holds that payments for the federal excise tax on wagers and the special tax paid by persons engaged in receiving wagers are deductible as ordinary and necessary business expenses

Commissioner v. Groetzinger

• The wagering tax is imposed on the wagering activity or business of gambling without regard to the outcome of specific wagering transactions

• In Commissioner v. Sullivan, citing the conclusion in Rev. Rul. 54-219 that a gambling enterprise is a business for federal tax purposes
  – The Court held that amounts incurred for rent and salaries in the conduct of a gambling enterprise were deductible as ordinary and necessary business expenses

Commissioner v. Groetzinger

• The Court noted that “[t]he policy that allows as a deduction the tax paid to conduct the business seems sufficiently hospitable to allow the normal deductions [for business expenses] of the rent and wages necessary to operate it.”

• Neither Rev. Rul. 54-219 nor Sullivan applied § 165(d) [or its predecessors] to restrict the deductibility of ordinary and necessary expenses incurred to engage in the business of gambling

• Rather, each treated the business expenses as independently deductible under § 162(a)
**Commissioner v. Groetzinger**

- That is, §165(d) applies to only wagering losses, not to expenses incurred to engage in the business of wagering or gambling
- Expenses incurred to engage in the trade or business of gambling are deductible to the extent allowed under § 162(a)
- More recently, the Commissioner conceded that a professional gambler’s expenses were deductible under § 162(a) and not subject to the § 165(d) limitation on deducting wagering losses
- Tschetschot v. Commissioner, T.C. Memo. 2007 -38

**Professional Gambler Example**

- Adam is a professional gambler engaged in the trade or business of playing poker
- Gambling is Adam’s sole occupation; Adam is not employed and has no other income
- Throughout the year, he traveled to various casinos and other venues where gambling is legal to participate in poker tournaments

**Professional Gambler Example**

- At the end of the year, Adam had total wagering gains of $100,000, total wagering losses of $75,000, and incurred $15,000 in business expenses for transportation, meals and lodging
- Adam must report the $100,000 of wagering gains as gross receipts
- Under § 165(d), he may subtract $75,000 of wagering losses from the $100,000 of gross receipts, resulting in $25,000 of wagering income
- Under § 162(a)(2), he may then deduct $15,000 in business expenses from the $25,000 of wagering income, resulting in $10,000 of business income
### Form 5754
#### Purpose of Form.
- You must complete Form 5754 if you receive gambling winnings either for someone else or as a member of a group of two or more people sharing the winnings, such as by sharing the same winning ticket.
- The information you provide on the form enables the payer of the winnings to prepare Form W-2G, Certain Gambling Winnings, for each winner to show the winnings taxable to each.

### Reg. – 132253-11
#### March 23, 2015
- This document contains proposed regulations under § 6041 regarding the filing of information returns to report winnings from bingo, keno, and slot machine play.
- The proposed regulations affect persons who pay winnings of $1,200 or more from bingo and slot machine play, $1,500 or more from keno, and recipients of such payments.

### Reg. – 132253-11
#### March 23, 2015
- The current regulations governing information reporting of winnings from bingo, keno, and slot machine play were published in 1977.
- There have been significant changes in gaming industry technology since that time.
- Today many gaming establishments employ electronic slot machines and other mechanisms, such as player’s cards, that permit electronic tracking of wagers and/or winnings.
- There have been many changes in the tax information reporting regime since the late 1970s, such as the enactment of backup withholding and requirements for electronic filing of information returns, including the Form W-2G.
Reg. – 132253-11
March 23, 2015

- Current regulations under § 7.6041–1 of the Temporary Income Tax Regulations do not take these changes into account
- Accordingly, the Treasury Department and the IRS think the regulations for reporting winnings from bingo, keno, and slot machine play need to be updated in light of these developments and that there are opportunities to reduce burden and simplify reporting

Reg. – 132253-11
March 23, 2015

- The Proposed regulations are not setting well with the gambling industry Reg 132253-11
- Over 3,000 comments presented
- Proposal to lower slot machine winnings from $1200 to $600
- Trigger more W-2G filing
- Harm the casino industry
- IRS – lower thresholds = reporting income

What Has Happen Since Proposed Regulation Released?

- Nothing
Example from the Regulations

- On Day 1, Cathy places five wagers at casino on five different slot machines that are not electronically tracked
  - The first two wagers result in no win
  - The third wager results in a $1,500 win
  - The fourth wager results in a $2,500 win
  - The fifth wager results in an $800 win

Casino Reporting

- There are reportable gambling winnings from the slot machine play that is not electronically tracked of $4,000 ($1,500 + $2,500)
- The $800 win is not a reportable gambling winning from slot machine play that is not electronically tracked because it does not equal or exceed the $1,200 threshold
- Because all of the amounts were won on the same type of game (even though each of the winnings occurred on different machines) during the same session, the casino is permitted to use the aggregate reporting method

Casino Reporting

- If the casino decides not to use the aggregate reporting method and meets the requirements, a separate Form W–2G would have to be filed and furnished for the payment of reportable gambling winnings of $1,500 and for the payment of reportable gambling winnings of $2,500
- However, if the casino decides to use the aggregate reporting method, they may report total reportable gambling winnings from slot machine play that is not electronically tracked of $4,000 ($1,500 + $2,500) on one Form W–2G
Herein Lies the Problem

- Casino reporting does not incorporate all winnings
- Recordkeeping is needed to present a true picture of winnings and losses
- The client will benefit from the diary reporting all income and enabling them to take losses up to income
- Surviving the IRS audit

Tax Exempt Information

Tax Exempt Entities What They Need to Know

- Gaming is one of the most common and successful types of fundraising engaged in by tax-exempt organizations
- Organizations that conduct or sponsor gaming, whether for one night or throughout the year
- Whether in their primary place of operation or at a remote location, are subject to federal tax law requirements
- Non Profits must be aware of the requirements for income, employment, and excise taxes
## Basics

- **What is gaming?**
  - The term gaming includes bingo, beano, raffles, lotteries, pull-tabs, scratch-offs, pari-mutuel betting, Calcutta wagering, pickle jars, punchboards, tip boards, tip jars, certain video games, and other games of chance.
  - Most forms of gaming, if regularly carried on, result in unrelated business income (UBI) and the income may be taxable.

## Unrelated Business Income (UBI)?

- UBI is income from a regularly carried on trade or business that is not substantially related to the organization’s exempt purpose.
- This income is subject to unrelated business income tax (UBIT), unless an exception applies.
  - If an organization uses the income from gaming to pay expenses associated with furthering its exempt purpose, why is the income taxable?
    - The income may be taxable because gaming is generally a business activity, not a charitable activity that furthers an organization’s exempt purpose.
    - The fact that an organization uses the proceeds from its gaming to pay for its charitable programs does not make gaming a charitable activity.

## What is the Definition of “Regularly Carried on” Trade or Business?

- The facts and circumstances of each situation will determine whether a gaming activity is “regularly carried on”.
- Some factors an organization should consider are:
  - The frequency of the activity
  - The length of time it has continually conducted the activity
  - How it promotes the activity
  - How nonexempt businesses conduct similar activities
What are the Exceptions to UBIT that Apply to Gaming Activities?

- The following are the most common exceptions that may be available to exclude gaming income from UBIT
  - Substantially all of the work in carrying on the activity is performed for the organization without compensation
- For this purpose, compensation has a broad interpretation and includes:
  - Providing free drinks or food to workers if the free items are more than a mere gratuity and intended to be compensation for the workers’ services
  - Tips workers receive from patrons at the gaming sessions
  - Waiving or reducing fees for workers on items or services normally charged to non-workers

Traditional Bingop

- The income is from a traditional bingo game that is:
  - Legal under state and local law, and
  - Not ordinarily carried out on a commercial basis in the jurisdiction where the charity conducts the game
- To qualify as a traditional bingo game, wagers must be placed, winners must be determined, and prizes must be distributed in the presence of all persons placing wagers in that game
- Instant bingo, mini bingo, and similar scratch-off cards are pull-tab games, not bingo and therefore they generate UBI unless another exception applies

How Does an Organization Report its Income from Gaming?

- An organization must file Form 990-T, Exempt Organization Business Income Tax Return, if it has gross income from an unrelated trade or business of $1,000 or more in a year
- In addition, if the organization has gross receipts (from both gaming and other exempt and taxable activities) in excess of $25,000, it must file Form 990, Return of Organization Exempt From Income Tax, even if it is not required to file Form 990-T
- The returns are due by the 15th day of the 5th month following the end of the organization’s tax year
- However, an organization can get an automatic six-month extension of time to file by filing Form 8868, Application for Extension of Time To File Exempt Organization Return
Must an Organization Report an Individual’s Winnings or Withhold Income Tax on those Winnings?

• An organization may have to complete Form W-2G, Statement for Recipients of Certain Gambling Winnings, to report an individual’s winnings and, if applicable, any federal income tax withheld on the winnings.
• Generally, the requirement for reporting and withholding depends on:
  – The type of gaming
  – The amount of the gaming winnings, and
  – The ratio of the winnings to the wager

Is an Organization Subject to Any Other Taxes on its Gaming Activities?

• In addition to UBIT, certain gaming activities may be subject to wagering excise and occupational taxes
  – The wagering excise tax applies to the amount of the wager
  – The occupational tax applies to persons receiving wagers
• These taxes do not apply to drawings conducted by an exempt organization so long as no part of the net earnings inures to the benefit of any private shareholder or individual
• An organization pays the wagering excise tax by filing Form 730, Monthly Tax on Wagering
• To pay the occupational tax, an organization files Form 11C, Occupational Tax and Registration Return for Wagering

Where Can an Organization Get More Information?

• For additional information review the instructions for each form
• Call TE/GE Customer Account Services at (877) 829-5500
• In addition, the following publications may be helpful
• Publication 3079, Gaming Publication for Tax-Exempt Organizations
• Publication 598, Tax on Unrelated Business Income of Exempt Organizations
• Forms and publications are available on our website at www.irs.gov or by calling (800) 829-3676
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| • “Raffle” Defined:  
  – In general, a raffle is considered a form of lottery  
  – As such, a raffle generally refers to a method for the distribution of prizes among persons who have paid for a chance to win such prizes, usually determined by the numbers, or symbols, on tickets drawn |  |

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| • Generally, an exempt organization must report raffle prizes if  
  – (a) the amount paid reduced, at the exempt organization’s option, by the wager (the amount a person paid for the chance to win a prize), is $600 or more; and  
  – (b) the payout is at least 300 times the amount of the wager  
• The organization uses Form W-2G for this report |  |

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| • Wendy purchased a $1 ticket for a raffle conducted by an exempt organization  
  • On October 31, 2016, the drawing was held and Wendy won $900  
  • The exempt organization must file Form W-2G with the IRS and give a copy of Form W-2G to Wendy  
• A person receiving gambling winnings must furnish the exempt organization a statement on Form 5754 made under penalties of perjury stating his or her identity and the identity of any others entitled to the winnings (and their shares of the winnings) |  |
Raffles

- When the person receiving winnings is not the actual winner, or is a member of a group of two or more winners on a single ticket, the recipient must furnish the exempt organization information listed on Form 5754, Statement by Person(s) Receiving Gambling Winnings, and the organization must file Forms W-2G based on that information.
- The organization must keep Form 5754 for four years and make it available for IRS inspection.
- The exempt organization must file Forms W-2G with the IRS by the last day of February of the year after the year of the raffle.
- Use Form 1096, Annual Summary and Transmittal of U.S. Information Returns, to transmit Forms W-2G to the IRS.
- The organization must also issue Forms W-2G to prize recipients by January 31 of the year after the year of the raffle.

CALT Website

http://www.calt.iastate.edu/

Tour of the CALT Website
Changes to the Iowa Farm and Urban Tax Schools

- It has been a season of change – this is good
- Our Fall and Winter Tax Schools are changing – this is good
- September 9, 2016 – Farm Tax Seminar
- All Farm issues All day
- For the winter tax schools, farm issues may come up but we will center on other issues important to your practice, including ethics for early bird attendees at some sessions

Please Welcome
Phil Harris

- Professor, Agricultural and Applied Economics – University of Wisconsin-Madison
  - J.D., University of Chicago, 1977
  - M.A., Economics, University of Chicago, 1975
  - B.S., Economics, Iowa State University, 1973
- His research program focuses on business and tax planning for agricultural producers
- The program includes information on the choice of entity for organizing a farm business and for transferring a farm business to the next generation
- Income, estate and gift tax consequences as well as non-tax issues

Phil Harris

Phil Harris
CALT Speaker

- September 9, 2016 Farm Tax Seminar
- The session will also be available via webinar
- Instructor – Farm and Urban Tax School
- November 21 – 22 – Waterloo
- December 12 – 13 – Ames
Fall Tax Schools

• Though they are named the Farm and Urban Tax Schools, the schools cover more than farm issues.
• Common return issues for all kinds of returns are covered.
• All kinds of business entities.
• Problematic issues.
• Sometimes we even get into issues that you many encounter only once or twice a year or tax season.
• The Tax Schools are a blend of diverse topics of interest to all tax professionals.
• This year: New instructors with diverse backgrounds.
• Your adventure awaits at Iowa State’s Center for Agricultural Law and Taxation.

Farm and Urban Tax Schools 2016

• November 2, 2016 to December 13, 2016.
• 8 Locations in Iowa and Online Webinar.
• Save the Date for the 2016 Annual Farm and Urban Income Tax Schools.
• The program is intended for tax professionals and is designed to provide up-to-date training on current tax law and regulations.
  – November 2-3: Maquoketa.
  – November 7-8: Red Oak.
  – November 9-10: Sheldon.
  – November 14-15: Mason City.
  – November 17-18: Ottumwa.
  – December 5-6: Denison.

September Farm Tax School
Navigating Changing Times

• September 8, 2016 to September 9, 2016, Ames, Iowa and Online.
• Attend any one day or both days, either in-person or online! Company discount for 3 or more individuals from the same employer!
• Ag Law Seminar, September 8.
  – Our Thursday seminar will offer practical, interesting information you can immediately apply in your practice or ag-related business. You’ll leave with forms and other tools to help you more efficiently serve your ag clients.
• Farm Tax Workshop, September 9.
  – Our Friday seminar will be a comprehensive one-day farm tax workshop designed to equip tax practitioners with the tools they need to prepare farm income tax returns, from the simple to the complex.
• Online Registration: https://goo.gl/pdITK5.
Registration Fees

• Early Rate - Registered on/by August 31
  - Attend in person or watch from your computer
  - Any one day: $200
  - Both days: $350
  - Company Discount: $10 discount per individual if 3 or more are registered from the same employer - this is available for either on-site or online attendance

• Late Rate - Registered after August 31
  - Attend in person or watch from your computer
  - Any one day: $220
  - Both days: $370
  - Company Discount: $10 discount per individual if 3 or more are registered from the same employer - this is available for either on-site or online attendance

Continuing Education

• Ag Law Seminar (September 8)
  - Continuing Legal Education (CLEs) - 7 hours (including one hour of ethics)
  - Others Professional Education (CPEs) - 7-8 hours (including one hour of ethics)

• Farm Tax Workshop (September 9)
  - Continuing Legal Education (CLEs) - 7 hours (including one hour of ethics)
  - Others Professional Education (CPEs) - 7-8 hours (including one hour of ethics)

Speakers

• Ag Law Seminar
  - Shannon Ferrell, Associate Professor, Agricultural Economics, Oklahoma State University
  - Eldon McAfee, Shareholder, Brick Gentry P.C.
  - Erin Herbold-Swalwell, Shareholder, Brick Gentry P.C.
  - Julia Vyskocil, Shareholder, Brick Gentry P.C.
  - Pat Dillon, Dillon Law P.C.
  - Professor Neil Hamilton, Director of Drake Law School Agricultural Law Center
  - John Baker, Iowa State's Beginning Farmer Center Administrator
  - Jennifer Zawiegerman, Associate Director of Drake Law School Agricultural Law Center
  - Kristine Tidgren, Assistant Director for the Center for Agricultural Law & Taxation

• Farm Tax Workshop
  - Philip E. Harris, JD, University of Wisconsin professor
  - Kristy Matwe, Tax Specialist with the Center for Agricultural Law & Taxation
Farm Tax Seminar Topics

Legislative Update: The Protecting Americans from Tax Hikes Act of 2015 (PATH Act) and the Consolidated Appropriations Act, 2016 (CAA of 2016)

Income Issues
- Construction Receipt
- Installment Sales of Credit and Interest
- Hedging and Other Marketing Transactions
- Farm Income Averaging
- Farm vs. Nonfarm Income
- Elections
- Sale vs. Lease of Equipment by a Retiring Farmer
- Conservation Reserve Program Payments
- Income in Respect of a Decedent
- Reporting Property as Self-rental on Schedule E (Form 1040)

Deduction Issues
- Tangible Property Regulations
- Lease vs. Purchase of Farm Equipment
- Segmenting Fertilizer Costs
- Domestic Production Activity Deduction
- Start Up Expenses

Entity Issues
- Partnership Formation and Contributed Assets with Debt in Excess of Tax Basis
- Guaranteed Payments
- Qualified Joint Ventures
- Issues for Farmers with Multiple Entities
- Miscellaneous Farm Issues
- Material Participation
- Capitalization of Preproduction Expenses
- Farm Inventory
- Hobby Losses
- Gift of Commodities
- Valuation of growing crops
- Cases and Rulings: A summary of rulings and cases from the past year that affect farmers

Accommodations

- Quality Inn & Suites Starlite Village Conference Center
- 2601 East 13th Street, Ames, Iowa
- Discounted overnight rooms are available for $89.00 per night (for the dates of September 7, 8 and 9)
- Call the hotel at 515-232-9260 and mention you are attending the Iowa State University September Seminars
CALT is working on offering a basic class for NEW tax preparers this fall in October. The week long webinar will cover the basics an individual needs to know such as:
- Requirement to file
- Dependents
- Filing Status
- Itemized deductions
- Education Credits
Other issues a first or second year preparer needs to know as well as a refresher for others who need to brush up on issues.
The class will be a week long or more and will be offered at a special rate.
The Scoop

• Throughout the filing season two Scoops will be held on Scoop Dates
  – 8:00 – 8:30 am Central time
  – 12:00 – 12:30 Central time
• This assists with accommodating our west coast practitioners
• The same information will be shared at both sessions
• You have the option of registering for whatever session suits your schedule
• https://www.calt.iastate.edu/calendar-node-field-seminar-date/month

Future Scoop Dates

• July 20, 2016
• August 24, 2016
• September 7, 2016
• October 5, 2016
• October 19, 2016
• November 16, 2016
• December 14, 2016
• http://www.calt.iastate.edu/calendar-node-field-seminar-date/month

The CALT Staff
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| [Image of Kristy S. Maitre] | [Image of Tiffany L. Kayser] |