

Watch out for the Department of Revenue  
By Glenn Grothman

I've written in the past that I'm not a big fan of casino gambling. Every year about one billion dollars is lost in Wisconsin in tribal slot machines. That means the average Wisconsinite loses about \$200!! But at least anyone who goes to a casino should expect to lose. The Wisconsin Department of Revenue has quietly been surprising taxpayers with an additional loss you never would expect.

If you win money gambling, it is taxable income to you and you should report it on your income tax return with your other income such as wages or interest. If you play the slot machines and get a win of at least \$1,200 at one time, the casino must issue a W-2G form reporting your win to the IRS.

On your federal return you are allowed to deduct your losses up to your winnings, if you itemize. In other words, if you won \$3,000 but lost \$4,000 at other times in the year, you would report \$3,000 income on page one of the tax return and add a \$4,000 deduction on schedule A.

In 1997 the state of Wisconsin, as part of a tax simplification, removed the right to take gambling losses as a deduction. This was bad enough, but the Department of Revenue has taken enforcement of this new provision to heights of idiocy almost unheard of, even in the bureaucracies in Madison. In the above example the taxpayer would pay tax on the \$3,000, but be entitled to no corresponding deduction. However, people who play slot machines win or lose money on every play. This really adds up. Someone who plays a quarter slot machine at seventy-five cents a play will win \$564 and lose \$615 in an average hour at an average slot machine. A normal person would say they just lost \$51 on the slot machines. A Wisconsin Department of Revenue auditor will say you just won \$564 and it's taxable income!!!

This is not just an abstract concern. Casinos now offer cards for club members (Firekeepers for Potawatomi, Ho-Chunk Rewards Club, etc.) in which the total amount won or lost is kept track of for each member. It would not be highly unusual to see a statement showing an individual win \$20,000 and lose \$22,000 in a single year. If the Department of Revenue gets ahold of this, they will assess this person as if they had made \$20,000.

Since most people would not report a \$2,000 yearly loss as a \$20,000 gain, the Department of Revenue will also assess interest and penalties. Depending on how mean they feel on any individual day, Revenue can assess a 25 percent negligence penalty and 12 or 18 percent interest for late payment. I personally know of a poor soul who won \$70,000 and lost \$82,000 in one year. The Department of Revenue assessed him over \$4,000 in additional taxes plus interest and penalties.

If someone goes to a casino they say, "I lost sixty dollars". Only the Department of Revenue would say you won \$800 and lost \$860, so pay tax on \$800. So look out.

I will try to force the Department to change through the administrative rules process. At least they should combine wins and losses in the same day and probably the same venue. Otherwise, I will introduce new legislation.

Please look for my biennial report and questionnaire, which will be included with the May 29<sup>th</sup> Express News. The input you give is valuable in the assessing the attitudes of the community, and I personally read every response. I'd really appreciate it if you will fill it out. Thanks.

Please let me know what you think on this issue. Contact me here in Madison---please call 1-888-534-0058, or in any of the following ways: Madison Address: P.O. Box 8952, Madison, WI 53708-8952

Home Number: (262) 338-8061

E-Mail: [rep.grothman@legis.state.wi.us](mailto:rep.grothman@legis.state.wi.us)

WWW: <http://www.legis.state.wi.us/assembly/asm58/news/index.html>