

GAMBLING LOSSES AS AN ADDITION TO OREGON INCOME

Basic concept:

1. All gambling winnings are taxable on the federal return. Not all of those gambling winnings may be taxable to OR. For example, OR lottery winnings of \$600 or less on a single ticket is federally taxable but is not taxable to OR.
2. On the federal return, gambling losses included as a Sch. A deduction can't be greater than the gambling winnings reported as other income on the 1040, Schedule 1, Part 1, line 8b.
3. On the OR return, gambling losses included in itemized deductions can't be greater than gambling winnings taxable to OR.
4. If the TP is **both** itemizing for OR **and** including gambling losses as an itemized deduction, only the amount of losses up to the amount of winnings taxable to OR is allowed to be deducted on the OR return. The excess of gambling losses deduction, if there is one, must be added back into OR income.
5. Depending on residency status, the add-back is called either an addition or a modification. Example shown below for each residency status.

Example: \$1000 federally taxable gambling winnings: \$25 from VFW bingo in Vancouver and \$750 and \$225 from OR lottery ticket wins. \$800 in gambling losses claimed as an itemized deduction.

FY OR resident: [Addition Code 134 on Sch. OR40-ASC, section 1]. The following situations are possible:

- a) TP doesn't itemize on the OR40; takes OR standard deduction instead. No action needed.
- b) TP itemizes on the OR40, but doesn't include gambling losses as an itemized deduction. No action needed.
- c) TP itemizes on the OR40 **and** deducts \$800 in gambling losses on Sch. A.

Gambling winnings taxable federally = \$1000

Gambling winnings taxable to OR = \$ 775 (\$1000 - \$225 OR lottery win of \$600 or less)

Gambling losses claimed as an itemized deduction on the federal return = \$800

Maximum gambling losses allowed as a deduction for OR = \$775

Reduction of gambling losses using an addition to income = \$ 25

To add back the \$25 excess on the OR40:

OR return > Additions to Income > Gambling losses claimed as an itemized deduction >
Enter other additions amount as a positive number.

OR NR: [Modification Code 604 on Sch. OR-ASC-NP, section 4]

- a) TP doesn't itemize on the OR40N; takes OR standard deduction instead. No action needed.
- b) TP itemizes on the OR40N, but doesn't include gambling losses as an itemized deduction. No action needed.
- c) TP itemizes on the OR 40N **and** deducts \$800 in gambling losses on Sch. A.

Gambling winnings taxable federally = \$1000

Gambling winnings taxable to OR = \$ 750 (\$1000 - \$225 OR lottery win - \$25 bingo win)

Gambling losses claimed as an itemized deduction on the federal return = \$800

Maximum gambling losses allowed as a deduction for OR = \$750

Reduction of gambling losses using a modification to income = \$ 50

To add back the excess \$50 on the OR 40N:

OR return > Other Deductions > Gambling Losses claimed as an itemized deduction >
Other deduction/ modification amount. Enter the amount as a **positive** number .