

Prepare for March Madness in the Workplace



March Madness: Productivity Tips and Tax Rules on Gambling

Research shows that nearly half of employees surveyed say they participate in workplace betting pools. More than half of those individuals bet on March Madness. Employees across the country may spend some time at work filling out brackets for office betting pools, checking scores online, watching the games at work, or calling in sick so they can watch the games uninterrupted on TV. It may seem harmless to let your staff pay attention to the games, but consider implementing a few rules around the office for March Madness.

Sports vs. Work: How Employers Can Win

- Limit employee involvement in gambling and betting pools to their own personal time (after work, on breaks and during meal time). Ban employees from using your organization's computer equipment to watch or track sports activities during work time.
- Organize a March Madness contest by setting up betting pools that don't cost employees anything to enter and provide low cost prizes, such as a \$100 gift certificate to a local restaurant or tickets to a sporting event.
- Let people have flexible lunch and break times to correspond with key competition broadcast times, such as the final quarter.
- Ask employees to wear earphones. Some employees may be able to listen to the broadcast of the games and not have it affect their job performance. Others nearby may not be able to do so.
- Set the break room TV for the game and post an advance notice, so those not interested in the game can go elsewhere for quiet time. Tell game-watchers to keep the noise level down; otherwise their cheers could be distracting. Also remind employees TV watching privileges will be revoked if abused through overly long breaks and noise.

Keep in mind that not all of your employees care about March Madness. If those who don't care perceive that they are carrying the work load for those who are paying attention to the games, you may end up fostering resentment. Talk to the staff in advance and let them know what's expected during the March Madness season.

How to Report Gambling, Hobby and Other Miscellaneous Taxable Income

If you engage in an activity such as gambling or selling items on an online auction, you

are earning income. Many individuals may not understand the tax consequences and reporting requirements for earning these types of miscellaneous income.

Reporting miscellaneous taxable income

For most people, gambling winnings and hobby income are uncommon types of taxable income. Gambling winnings and hobby income, as well as prizes and awards, represent "miscellaneous income" and are reported on Line 21 of your Form 1040 as "other income."

Gambling winnings

Gambling winnings, whether legal or illegal, are included in your gross income. If you have winnings from a lottery, raffle, or other types of gambling activities, the full amount of your winnings should be reported on Line 21 of your Form 1040 as "other income." The taxable gains are the amount by which your winnings exceed the amount you wagered. If any taxes were withheld from your winnings, you should receive a Form W-2G showing the total paid to you in Box 1, and the amount of income taxes withheld in Box 2. You need to include the amount in Box 2 in the amount of taxes paid on Line 59 of your 1040.

Gambling losses

You can deduct your gambling losses as an itemized deduction for the year on Schedule A (Form 1040), line 28. However, you cannot deduct gambling losses that exceed your winnings. You can deduct losses from gambling up to the amount of your gambling winnings. You must report the full amount of your winnings as income and claim your losses (up to the amount of winnings) as an itemized deduction. Therefore, your records should show your winnings separately from your losses.

You can reduce your gambling winnings by your wagering losses regardless of whether the underlying transactions are legal or illegal. Gambling losses may offset all gains arising out of wagering transactions, and not merely against gambling winnings. However, gambling losses can only offset gambling gains which occurred during the same year.

Therefore, you cannot use your gambling losses from prior years to offset gains of a different year nor can you use them to reduce taxable income from non-gambling sources. Gambling losses cannot be used as a carryover or carry back to reduce gambling income from other years. For example, the value of complimentary goods you might receive from a casino as an inducement to gamble are gains from which gambling losses can be deducted.

Casinos, lotteries and other payers of gambling winnings of \$600 or more (\$1,200 for bingo or slot machines and \$1,500 for keno) report the winnings on Form W-2G, Certain Gambling Winnings.

If you have any questions about tax and reporting requirements in connection with hobby activities and other sources of income, please contact your client executive.

Your Comments

- Is this item worthy of implementation? **Yes** **No** **Maybe**
- Is this item worth sharing with other associates? **Yes** **No** **Maybe**
- Did this item present value to you and your business? **Yes** **No** **Maybe**

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