

# IRS News Release

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## **Poker Tournament Winnings Must be Reported to the IRS**

IR-2007-173, Oct. 19, 2007

WASHINGTON — Starting next year, casinos and other sponsors of poker tournaments will be required to report most winnings to winners and the Internal Revenue Service, according to the IRS.

The new requirement, which goes into effect on March 4, 2008, was contained in guidance released Sept. 4 by the Treasury Department and the IRS. The guidance is designed to clear up confusion about the tax reporting rules that apply to poker tournaments. In recent years, some casinos and players have been confused over whether poker tournament sponsors who hold the money for participants in a poker tournament are required to report the winnings to the IRS and withhold tax on the winnings.

For tournaments completed during 2007 and before March 4, 2008, casinos and other sponsors of poker tournaments will not be required to report the winnings to the IRS or withhold tax on the winnings. But beginning March 4, 2008, the IRS will require all tournament sponsors to report tournament winnings of more than \$5,000, usually on an IRS Form W-2G.

Tournament sponsors who comply with this reporting requirement will not need to withhold federal income tax at the end of a tournament. If any tournament sponsor does not report the tournament winnings, the IRS will enforce the reporting requirement and also require the sponsor to pay any tax that should have been withheld from the winner if the withholding requirement had been asserted. The withholding amount is normally 25 percent of any amounts that should have been reported.

So that tournament sponsors can comply with this requirement, tournament winners must provide their taxpayer identification number, usually a social security number, to the tournament sponsor. If a winner fails to provide this identification number, the tournament sponsor must withhold federal income tax at the rate of 28 percent.

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The IRS reminds tournament winners that, by law, they must report all their winnings on their federal income tax returns. This rule applies regardless of the amount and regardless of whether the winner receives a Form W-2G or any other reporting form. This is true for 2007 and earlier years, and will continue to be the case after the new reporting requirement goes into effect.

More information can be found in Revenue Procedure 2007-57.