



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

CHIEF COUNSEL

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The Honorable Bob Goodlatte  
Member, U.S. House of  
Representatives  
10 Franklin Road, S.E., Suite 540  
Roanoke, VA 24011-2121

Dear Congressman Goodlatte:

I am writing in response to your inquiry dated June 8, 2004, on behalf of your constituent, . , a tax preparer, believes that his clients' net gambling winnings of \$401 resulted in additional income tax of \$18,620, mostly attributed to the alternative minimum tax (AMT). asked for a change to the law.

Under § 61 of the Internal Revenue Code, gross income means all income from whatever source derived. As correctly pointed out, a taxpayer must include gambling winnings in gross income.

Under § 165(d), a taxpayer can deduct gambling losses up to the amount of gambling winnings. Generally, this is an itemized deduction.

In determining the amount of the alternative minimum taxable income (AMTI) of any taxpayer (other than a corporation), § 56(b) disallows certain deductions. However, gambling losses under § 165(d) are not subject to the AMT disallowance rules. Therefore, a taxpayer can deduct gambling losses for purposes of determining AMTI.

I have enclosed Form 6251, Alternative Minimum Tax – Individuals, its instructions, and an extract from Publication 17, *Your Federal Income Tax*. The detailed information about the AMT in these materials may help Mr. Dennis determine whether he correctly computed his clients' tax liability.

I hope this information is helpful. Please call \_\_\_\_\_, Identification Number \_\_\_\_\_, at \_\_\_\_\_ if you have any questions.

Sincerely,

Robert A. Berkovsky  
Branch Chief, Branch 4  
(Income Tax & Accounting)

Enclosures (2)