

IOWA TAX ON GAMBLING WINNINGS

Gambling winnings are fully taxable in Iowa even if the winner is not an Iowa resident.

The winnings are reported on an IA 1040 long form. Anyone reporting either gambling winnings or losses cannot use the IA 1040A short form.

Residents or part-year residents of Iowa

Winnings from all types of gambling, including charitable gambling, casinos, bingo, raffles, state lotteries, and dog and horse track betting, must be reported as "Other Income" on line 14 on the IA 1040.

If you itemize, you may claim gambling losses as a miscellaneous deduction on Schedule A. However, this deduction cannot be more than your winnings. For example, if your gambling winnings for the year are \$1,000, your deduction for gambling losses cannot exceed \$1,000.

Taxpayers who claim the standard deduction on the Iowa return cannot deduct their gambling losses, although they must still report gambling winnings.

Nonresidents of Iowa

Nonresidents are required to file an Iowa return if Iowa-source income, including gambling winnings, is \$1,000 or more and gross income (from all sources, not just Iowa) is at least \$9,000 if single or \$13,500 for married filers.

Complete the IA 1040, showing income from all sources similar to the Federal return. Show gambling winnings as "Other Income" on line 14.

Take eligible gambling losses on Schedule A in the same manner as explained above for residents or part-year residents.

Complete the IA 1040 return through line 52.

Then complete the Schedule IA 126 showing only the Iowa income amount (s). Determine your nonresident credit on the IA 126 based upon the percentage of Iowa income to total income. Take this credit on line 52 and complete the remainder of the IA 1040. Please attach a copy of your Federal return.

Examples of how to complete these forms

Why didn't I receive all of my winnings?

A portion of your winnings may have been withheld for taxes. According to State and Federal laws, certain winnings are subject to withholding at a 5% rate for State income tax purposes and are subject to withholding at a 25% rate for Federal income tax purposes.

The withholding of State income tax from your winnings will not necessarily satisfy your Iowa tax responsibilities. Only by completing the IA 1040 can the correct amount of Iowa tax be determined.

You may owe more State income tax than was withheld, depending on different variables, such as your total Iowa income or your total income from all sources.

If the amount withheld exceeds the Iowa tax calculated on form IA 1040, you will be eligible for a refund of that portion of the tax withheld.

NOTE: Nonresidents are not exempt from Iowa tax or Iowa withholding and

usually will not receive a full refund of the Iowa tax withheld.