



Gambling Winnings or Losses

TB-20(R) – August 2, 2016

Tax: Gross Income Tax

Under the provisions of N.J.S.A. 54A:5.1(g), all gambling winnings, whether they are the result of legalized gambling (casino, racetrack, etc.) or illegal gambling, are subject to the New Jersey Gross Income Tax.

New Jersey Lottery winnings were not taxable for New Jersey Gross Income Tax purposes prior to 2009. However, for taxable years beginning on or after January 1, 2009, New Jersey Lottery winnings from prize amounts exceeding \$10,000 are taxable for New Jersey Gross Income Tax purposes. Specifically, the prize amount (over \$10,000) is the determinative factor of taxability, rather than the total amount of Lottery winnings over the year. For example, if a person won the New Jersey Lottery two times in the same year and the winning prize amounts were \$5,000 and \$6,000, these winnings are not subject to New Jersey Gross Income Tax.

Similar to the treatment of gambling winnings under the Federal Income Tax Code, losses from gambling incurred during the same period as the winnings may be used to offset those winnings. In other words, taxpayers may deduct all types of gambling losses, including those from playing the New Jersey Lottery, from their total gambling winnings during the tax period not to exceed the total of the winnings because gambling is a "net" category of income.

All taxpayers may be required to substantiate gambling losses used to offset winnings reported on their New Jersey Gross Income Tax return. Evidence of losses may take several forms, including losing race track pari-mutuel tickets, losing lottery tickets, a daily log or journal of wins and losses, canceled checks, notes, etc. The taxpayer should keep such evidential material for a period of six years after the filing of the New Jersey Gross Income Tax return for that period. With respect to winnings or losses resulting from casino gambling, letters from casinos that purport to "rate" the gambling activity of an individual or "estimate" losses are not acceptable alone as evidence of gambling losses. However, they are acceptable as part of the taxpayer's proofs of wins and losses.

Although no specific rider to the New Jersey Gross Income Tax return is required, the Division of Taxation requests that a taxpayer who enters gambling winnings (net of losses) on the New Jersey return should indicate the total winnings and total losses on a supporting statement. This supporting statement may eliminate certain questions in the event the return is selected for audit. Proof of losses may include a daily log or journal of wins and losses, canceled checks, losing race track pari-mutuel tickets, losing lottery tickets, etc. Letters from casinos that "rate" the gambling activity of an individual or "estimate" losses are acceptable as part of the evidence required to prove losses.

Nonresidents' gambling winnings from New Jersey sources are subject to the New Jersey Gross Income Tax in the same manner as the winnings of residents. N.J.S.A. 54A:5-8(a) 5. This means that income received by nonresidents from lottery or wagering transactions in New Jersey is income earned, received or acquired from sources within this state, and is subject to New Jersey

Gross Income Tax. For example, winnings from casino betting and wagering, New Jersey Lottery winnings on prize amounts exceeding \$10,000, winnings from slot machines, raffles, bingo games, etc., are all taxable income. Nonresidents may only offset gambling winnings from New Jersey sources by gambling losses incurred in New Jersey during the same tax period.

The taxability of New Jersey State Lottery prizes is determined by the amount of the prize, but the rate of withholdings is determined by the amount of the payout. Once it is determined that a prize is taxable, i.e., over \$10,000, the entire amount of the payout is subject to withholding, not just the amount in excess of \$10,000. Pursuant to the authority set forth in N.J.S.A. 54A:7-1(c), effective July 1, 2016, the withholding rates for gambling winnings paid by the New Jersey Lottery are as follows:

5% for lottery payouts between \$10,001 and \$500,000;
8% for lottery payouts in excess of \$500,000; and
8% for lottery payouts in excess of \$10,000, if the claimant does not provide a valid taxpayer identification number.

Taxpayers who are receiving taxable income that is not subject to withholding, or who believe that they will not have enough withholdings to cover their New Jersey Gross Income Tax liability should make estimated income tax payments. Failure to make required estimated tax payments may result in the assessment of penalty and interest. For additional information about estimating income taxes, see [Tax Topic Bulletin GIT-8](#).

Note: A Technical Bulletin is an informational document designed to provide guidance on a topic of interest to taxpayers and describe changes to the law, regulations, or Division policies. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the tax law or its interpretation may affect the accuracy of a Technical Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.