

JS MORLU LLC | TAX ADVISORY & INSIGHTS

SPECIALIZED TAX GUIDE 02 OF 06 • 2026 EDITION • NOVEMBER 12, 2026

Casino Gambling Taxes in 2026: The Complete Guide to Slots, Blackjack, Roulette, Baccarat, Poker, Bingo, Keno, and Online Casinos

How to report casino winnings, calculate gambling losses, understand IRS forms, keep proper records, and avoid costly tax mistakes.

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You can walk out of a casino with less money than you brought in and still have taxable gambling winnings.

That surprises many taxpayers. The IRS does not simply look at how much money you deposited, withdrew, or carried home.

Casino taxation depends on the games played, the amount won, how gambling activity is recorded, and whether losses qualify for a deduction.

The rules became more important in 2026 because Congress changed the federal wagering-loss limitation.

Executive summary: Seven rules every casino gambler should know

- Casino winnings are generally taxable even when no Form W-2G is issued.
- Slot machines, blackjack, roulette, baccarat, poker, bingo, and keno can have different reporting and recordkeeping requirements.
- For tax years beginning in 2026, deductible wagering losses are generally limited to 90% of qualifying losses, up to wagering gains.
- Recreational gamblers generally must itemize deductions to deduct gambling losses.
- A casino player’s card is useful evidence but may not capture all gambling activity.
- A casino deposit, chip purchase, or withdrawal is not automatically a taxable win or deductible loss.
- Online casino activity is generally subject to federal income tax rules even when conducted through a mobile application.

1. Understanding the different types of casino gambling

Casino activity	How it works	Key tax concern
Slot machines	Electronic games with random outcomes	W-2G jackpots and session records
Video poker	Electronic poker-based games	Machine payouts and documentation
Blackjack	Card game against the dealer	Session results and substantiation
Roulette	Bets on numbers or colors	Session results and records
Baccarat	Bets on player, banker, or tie	Session results and records
Craps	Dice-based table game	Tracking multiple wagers
Poker cash games	Players compete against each other	Session results, rake, business status
Poker tournaments	Entry fees and tournament prizes	Net tournament winnings and W-2G
Bingo	Prizes from numbered-card games	Special reporting thresholds
Keno	Number-selection game	Special reporting thresholds
Online casino games	Digital versions of casino games	Platform records and legal access
Casino promotions	Free play, prizes, loyalty rewards	Timing and character of income

The first step is to identify the actual activity. A taxpayer who plays slot machines and poker should not automatically use the same recordkeeping method for both.

2. Are casino winnings taxable?

Yes. Under IRC §61, gross income generally includes gambling winnings.

This includes cash prizes and the fair market value of taxable noncash prizes.

For example, if a casino awards a taxpayer a vehicle worth $45,000, the prize may create taxable income even though the taxpayer did not receive cash.

The taxpayer should retain the prize statement, valuation records, and any tax withholding documentation.

Example: A $5,000 slot jackpot

A taxpayer places a $10 wager and receives a $5,000 jackpot payout.

The taxpayer should preserve the original wager, payout, jackpot documentation, and Form W-2G, if issued.

The tax preparer must apply the correct income recognition method and determine the amount of winnings and any qualifying losses. The taxpayer should not assume that losing $5,000 later automatically cancels the jackpot for tax purposes.

3. The most important tax change for 2026

Under IRC §165(d), as amended by Public Law 119-21, the federal deduction for qualifying wagering losses is limited to 90% of those losses, not exceeding wagering gains.

This change generally applies to tax years beginning after December 31, 2025.

Casino gambling loss calculator

Illustrates the maximum deduction for qualifying wagering losses under the 2025 and 2026 federal rules.

Illustrative input / result	2025	2026
Annual gambling gains	$100,000	$100,000
Annual qualifying losses	$100,000	$100,000
Maximum deduction	$100,000	$90,000
Income remaining	$0	$10,000

Additional income remaining under 2026 rules: $10,000. This is not the additional tax owed. It assumes the losses qualify, are supported, and the recreational gambler itemizes.

Why the change matters

A recreational gambler can break even economically yet still have income remaining after the maximum deductible losses.

The result can be especially significant for high-volume slot players, frequent poker players, and casino customers who experience large swings between wins and losses.

4. Form W-2G reporting requirements for casino games

Form W-2G reports certain gambling winnings and federal income tax withheld.

For 2026, the applicable reporting threshold for slot machines, bingo, keno, and poker tournaments is generally $2,000, with important differences in how the threshold is measured.

Game	2026 threshold	Special rule
Slot machines	$2,000	Based on reportable winnings
Bingo	$2,000	Combine winnings within a single game
Keno	$2,000	Reduce by the wager for the winning game
Poker tournaments	$2,000	Based on net tournament winnings
Blackjack	No ordinary game-specific threshold	Winnings remain taxable
Roulette	No ordinary game-specific threshold	Winnings remain taxable

Game	2026 threshold	Special rule
Baccarat	No ordinary game-specific threshold	Winnings remain taxable
Craps	No ordinary game-specific threshold	Winnings remain taxable

The 2026 reporting thresholds are different from the thresholds that applied before 2026. Taxpayers should always use the rules for the year in which the winnings were paid.

Example: Slot machine jackpots

Jackpot	Amount	Generally reportable on W-2G?
First	$1,500	No
Second	$2,500	Yes
Third	$8,000	Yes

The taxpayer must still account for taxable gambling winnings from the first payout, even though it did not individually reach the reporting threshold.

Important withholding distinction

Regular 24% gambling withholding generally does not apply to slot machines, bingo, or keno merely because a jackpot exceeds $5,000.

However, 24% backup withholding may apply to reportable winnings if the taxpayer does not provide a correct taxpayer identification number.

Poker tournament winnings also have special rules. Regular gambling withholding generally does not apply when the tournament sponsor properly reports the qualifying winnings on Form W-2G, but backup withholding may apply.

5. Slot machine taxation: How session accounting works

Slot players may insert hundreds of dollars into a machine, receive many small payouts, and continue playing without cashing out.

It would be misleading to treat every movement of credits inside a machine as an entirely separate taxable cash receipt without considering the applicable accounting method.

The IRS has recognized the importance of gambling sessions in determining gambling results, particularly for slot machine activity.

Example: One slot machine session

A taxpayer begins playing with $500.

During the session, the machine balance rises and falls many times.

At the end of the session, the taxpayer cashes out $800.

Starting bankroll	Ending bankroll	Net session gain
$500	$800	+$300

Illustration only. The line represents fluctuations during play, not actual transaction data.

The taxpayer has an economic session gain of $300.

Whether that amount is the correct taxable session gain depends on the facts, the records, and the applicable federal tax method.

What counts as a session?

A session should have a reasonable, consistent beginning and ending point.

A taxpayer should record the casino, date, game, start time, end time, starting funds, ending funds, and any additional money introduced or removed during play.

A taxpayer should not combine unrelated casino visits or different games merely to make losses cancel winnings.

What if a W-2G jackpot occurs during a session?

The W-2G must be reconciled to the session records.

For example, a taxpayer might receive a $5,000 jackpot but finish the session with a much smaller gain.

The tax preparer must determine the supportable reporting method and reconcile the information return to the actual session.

The taxpayer should not simply delete the W-2G or ignore the session records.

6. Blackjack, roulette, baccarat, and craps

Table games create different documentation challenges because casinos may not record every individual wager made by each customer.

For example, a blackjack player may buy $1,000 in chips, play for several hours, and leave with $1,300.

The economic result of that visit is a $300 gain, assuming no additional funds were introduced or removed.

Example: A blackjack session

Transaction	Amount
Chips purchased	$1,000
Additional chips purchased	$500
Chips redeemed at end	$1,800
Net session result	+$300

The taxpayer should maintain the date, location, time, buy-ins, cash-outs, and supporting evidence.

A casino rating statement may help confirm the visit but may not establish the exact taxable result.

Why table games often do not produce W-2Gs

Ordinary blackjack, baccarat, craps, and roulette winnings generally do not fall within the specific W-2G reporting categories applicable to slot jackpots and poker tournaments.

That does not mean the winnings are exempt from federal income tax.

The taxpayer must still report taxable gambling income under the applicable rules.

7. Poker taxation: Cash games versus tournaments

Poker deserves special attention because cash games and tournaments have different structures.

Poker cash games

In a cash game, players buy chips and can generally leave the table with their remaining chips.

A session record should include the total buy-ins, additional purchases, cash-outs, date, location, and any relevant fees.

Example: A player buys $1,000 in chips, adds another $500, and cashes out $2,200.

The economic session profit is $700.

Poker tournaments

Tournament participants generally pay an entry fee or buy-in for the opportunity to win a prize.

For Form W-2G purposes, the tournament sponsor generally considers net tournament winnings after the applicable buy-in.

Tournament transaction	Amount
Prize awarded	$15,000
Tournament buy-in	$1,000
Net tournament winnings	$14,000

The amount generally exceeds the 2026 W-2G reporting threshold.

Other tournament losses during the year are not automatically netted against this tournament when determining whether the sponsor must issue Form W-2G.

Can poker players be professional gamblers?

Yes, potentially.

The taxpayer must establish that the activity is a genuine trade or business, consistent with Commissioner v. Groetzinger, 480 U.S. 23 (1987).

Professional status is based on facts, not simply the size of tournament prizes or the number of hours played.

8. Online casino gambling

Online casino winnings are generally subject to federal income tax just like winnings from physical casinos.

However, online platforms can create additional challenges.

These include incomplete transaction downloads, offshore operators, cryptocurrency deposits, promotional credits, and differences in state gaming laws.

What if the casino is offshore?

The fact that a platform operates outside the United States does not automatically exempt a U.S. taxpayer from federal income tax.

U.S. citizens and resident aliens generally report worldwide taxable income.

The taxpayer may also need to evaluate foreign-account and digital-asset reporting obligations, depending on the account structure and facts.

What if the online casino does not issue Form W-2G?

The taxpayer must still report taxable income.

The absence of a U.S. information return does not eliminate the reporting obligation.

What if the casino uses cryptocurrency?

The taxpayer may have both gambling tax consequences and separate digital-asset tax consequences.

For example, using appreciated cryptocurrency to fund gambling may constitute a taxable disposition of the cryptocurrency, depending on the transaction.

The taxpayer should maintain both gambling records and cryptocurrency cost-basis records.

9. Casino loyalty rewards, free play, and promotional prizes

Casinos frequently reward customers with free play, hotel stays, meals, loyalty points, cashback, and promotional prizes.

Not every benefit receives the same federal tax treatment.

Benefit	Tax issue to evaluate
Free slot play	Whether and when taxable value is received
Loyalty points	Whether points are restricted or redeemable for cash
Complimentary hotel stay	Whether the benefit is a rebate, promotion, or taxable award
Free meals	Whether the benefit creates taxable income
Cashback	Whether the payment is a rebate or other income
Tournament entry	Whether an economic benefit is received

Benefit	Tax issue to evaluate
Free vehicle or vacation	Fair market value and applicable prize reporting

Example: A casino awards a customer a vehicle with a fair market value of $60,000.

The prize may create $60,000 of taxable income, subject to the actual arrangement and applicable valuation rules.

If the casino pays the federal withholding tax on behalf of the winner, the tax calculation may require a gross-up.

The preparer should obtain the award agreement, valuation documentation, and any information returns.

10. Casino winnings versus casino losses: Four practical scenarios

How the 2026 wagering-loss limitation changes the result

Illustrative federal calculations for a recreational gambler who itemizes and has fully supported qualifying losses.

Scenario	Gains	Losses	Remaining
Break even	$100,000	$100,000	$10,000
Small profit	$100,000	$90,000	$19,000
Large loss	$50,000	$60,000	$0
No losses	$10,000	$0	$10,000

The examples illustrate why gambling tax planning must account for both economic results and the federal deduction rules.

A taxpayer should not assume that losing money means no taxable gambling income.

11. What records should casino gamblers maintain?

The IRS expects taxpayers to maintain sufficient records to support their income and deductions.

IRS Topic 419 recommends a gambling diary or similar record, together with supporting documents.

For casino gambling, records may include:

- ☐ Forms W-2G and other tax statements
- ☐ Casino win/loss statements for every property
- ☐ Player-card and loyalty account histories
- ☐ Dates, locations, and types of games played
- ☐ Beginning and ending balances for each gambling session
- ☐ Cash buy-ins, additional funds, and cash-outs
- ☐ Slot machine jackpot and hand-pay records

- ☐ Poker tournament registrations, buy-ins, and payouts
- ☐ Online casino transaction exports
- ☐ Bank, credit-card, and ATM records
- ☐ Promotional awards, free play, and noncash prize documents
- ☐ Cryptocurrency wallet and exchange records, if applicable
- ☐ Federal and state withholding records
- ☐ Prior-year tax returns and IRS notices

Recommended casino session register

Date	Game	Starting funds	Ending funds	Net result
Jan. 5	Slots	$500	$800	+$300
Jan. 8	Blackjack	$1,000	$600	-$400
Jan. 12	Roulette	$300	$500	+$200
Jan. 15	Poker	$1,500	$2,200	+$700
Total		$3,300	$4,100	+$800

This example assumes no additional deposits, withdrawals, or other transfers during the sessions.

The combined $800 is the economic result of these four sessions. The actual federal reporting must follow the appropriate method and applicable wagering-loss rules.

What if the casino win/loss statement is incomplete?

A casino win/loss statement may be based on tracked play rather than every transaction.

The taxpayer should reconcile it with other records.

A preparer should not treat a casino-generated statement as conclusive evidence of deductible losses without evaluating its completeness and reliability.

12. Can casino losses offset wages, retirement income, or investment income?

Recreational gambling losses are not an unrestricted deduction against other income.

For example, a taxpayer with $120,000 of wages and $40,000 of casino losses cannot simply subtract the $40,000 from wages.

Qualifying losses are subject to IRC §165(d) and the applicable itemized-deduction rules.

Example: Retired casino gambler

Assume a taxpayer receives:

Income or activity	Amount
Pension income	$65,000
Social Security benefits	$30,000
Casino wagering gains	$40,000
Casino wagering losses	$40,000
Maximum 2026 gambling-loss deduction	$36,000

The taxpayer may have $4,000 of gambling income remaining after the maximum loss deduction, assuming itemization and sufficient records.

However, gambling winnings may also affect adjusted gross income and potentially the taxation of Social Security benefits.

This is one reason a taxpayer’s actual tax increase can differ from a simple calculation based on gambling profit.

13. Casino gambling and federal withholding

The federal withholding rules depend on the type of game.

Regular gambling withholding generally applies at 24% to certain qualifying gambling winnings, but it does not automatically apply to every casino jackpot.

For slots, bingo, keno, and poker tournaments, the backup withholding rules may become especially important when a taxpayer fails to provide a correct taxpayer identification number.

A casino should not automatically withhold 24% from every slot jackpot simply because the jackpot exceeds $5,000.

The 2026 Form W-2G instructions distinguish regular gambling withholding from backup withholding.

What if the casino withheld taxes?

The taxpayer should reconcile the withholding to Form W-2G and the income tax return.

Withholding is a credit against the final tax liability. It is not a separate gambling-loss deduction.

14. State casino gambling taxes

Casino gambling can create both federal and state income tax consequences.

State rules differ in their treatment of gambling winnings, deductible losses, nonresident income, and withholding.

For example, a Virginia resident who gambles in Nevada, Maryland, Pennsylvania, or West Virginia should consider both residency and the location of the gambling activity.

A state may require a nonresident return even when the taxpayer also reports the winnings on a resident-state return.

The taxpayer should determine whether a credit for taxes paid to another state is available.

Virginia considerations

Virginia generally begins its individual income tax calculation with federal adjusted gross income, subject to Virginia modifications.

Virginia's treatment of itemized deductions and gambling losses should be reviewed for the particular tax year.

A Virginia taxpayer should not assume that a federal gambling-loss deduction automatically produces the same state tax benefit.

15. Tax planning techniques for casino gamblers

Maintain records after every session

A casino customer should record the results of each visit while the details are still available.

Trying to reconstruct hundreds of gambling sessions from bank statements at year-end is difficult and may produce unreliable results.

Understand the standard deduction

Recreational gamblers generally need to itemize to claim a gambling-loss deduction.

A taxpayer should compare the total federal return under the standard deduction and itemized deductions.

Review withholding and estimated taxes

Large casino winnings may increase the need for estimated payments.

A taxpayer with W-2 employment may be able to increase payroll withholding.

Keep casino and personal funds separate

A separate bank account or payment method can make reconciliation easier.

However, opening a separate account does not automatically create a gambling business or change the applicable tax rules.

Review professional gambler status carefully

A taxpayer who regularly plays poker or other casino games may qualify as a professional gambler if the activity meets the applicable trade-or-business standards.

The classification requires a factual analysis.

Avoid unsupported loss claims

A taxpayer should not claim the maximum possible loss deduction merely because the law permits losses up to a certain amount.

The deduction must be supported by actual qualifying losses.

16. IRS audit risks and common mistakes

Common mistake	Why it matters
Reporting only casino withdrawals	Withdrawals do not measure taxable winnings
Ignoring W-2Gs	Information returns are also sent to the IRS
Claiming unsupported losses	Deductions require substantiation
Using a player's card as the only record	It may not capture all gambling activity
Combining unrelated sessions	Can produce incorrect tax calculations
Treating every jackpot as subject to regular withholding	Withholding rules vary by game
Ignoring online casino activity	Taxable income may exist without a U.S. tax form
Assuming an LLC eliminates limitations	Entity formation does not override §165(d)
Ignoring state income tax	State filing and deduction rules differ

A well-prepared casino gambling tax return should contain a reconciliation of information returns, session records, bank transactions, and the reported federal and state amounts.

17. Frequently asked questions

1. Are slot machine winnings taxable?

Yes. Taxable winnings generally must be reported even without Form W-2G.

2. What is the 2026 slot jackpot reporting threshold?

Generally $2,000.

3. Are blackjack winnings taxable?

Yes, even though ordinary blackjack winnings generally do not trigger Form W-2G.

4. Can I deduct losing casino sessions?

Qualifying losses may be deductible, subject to the applicable substantiation, itemization, and §165(d) rules.

5. Does a casino win/loss statement prove my losses?

Not necessarily. It is useful evidence, but it may be incomplete.

6. Can I deduct casino ATM fees?

Do not assume that all gambling-related fees are deductible. The expense must be evaluated under the applicable rules.

7. Are poker tournament prizes taxable?

Generally yes.

8. Can a poker player be a professional gambler?

Potentially, if the activity qualifies as a trade or business.

9. Are online casino winnings taxable?

Generally yes.

10. Are offshore casino winnings taxable to U.S. taxpayers?

Generally yes for U.S. citizens and resident aliens, subject to applicable rules.

11. Does receiving free casino play create taxable income?

It depends on the promotional terms and the nature of the benefit.

12. Can casino losses offset my pension?

Not as an unrestricted deduction. Recreational gambling losses follow the applicable itemized-deduction limitations.

13. Can I carry forward unused recreational gambling losses?

Generally no.

14. Can I report only my net annual casino profit?

Not automatically. The appropriate accounting and reporting method must be established.

15. Does every $10,000 slot jackpot require 24% federal withholding?

No. Regular withholding does not generally apply to slot machine winnings, although backup withholding may apply.

16. What happens if the casino reports the wrong amount?

Request a corrected Form W-2G and preserve documentation supporting the correct amount.

17. Can I deduct gambling losses without itemizing?

A recreational gambler generally cannot claim a separate gambling-loss deduction when taking the standard deduction.

18. Are casino winnings taxable if I never leave the casino with the money?

Winnings may still be taxable even if later lost. The actual result depends on the proper recognition and loss-deduction method.

18. Primary laws, regulations, and IRS references

Authority	Subject
IRC §61	Gross income
IRC §162	Trade or business expenses
IRC §165(d)	Wagering-loss limitation
IRC §63	Standard and itemized deductions
IRC §3402(q)	Gambling withholding
IRC §6001	Recordkeeping
IRC §6654	Estimated-tax underpayments
Public Law 119-21, §70114	2026 wagering-loss amendment
Commissioner v. Groetzinger, 480 U.S. 23 (1987)	Professional gambler classification
IRS Topic 419	Gambling income and losses
IRS Publication 525	Taxable and nontaxable income
IRS Publication 505	Withholding and estimated tax
Instructions for Forms W-2G and 5754	Casino reporting and withholding
Treas. Reg. §1.6041-10	Reporting of certain gambling winnings

Official sources

IRS Topic 419 — Gambling Income and Losses

2026 Forms W-2G and 5754 Instructions

IRS Publication 525

IRS Publication 505

IRS 2026 proposed wagering-loss regulations

The proposed wagering-loss regulations should not be described as final regulations. The statutory 90% rule applies independently of whether the proposed regulations have been finalized.

19. How JS Morlu LLC can help

Casino gambling taxation often requires more than entering Forms W-2G into tax software.

A taxpayer may have multiple casino accounts, incomplete win/loss statements, online casino transactions, large jackpots, and complicated federal or state reporting requirements.

JS Morlu LLC can assist with casino session reconciliations, gambling income and loss calculations, federal and state tax preparation, professional gambler classification reviews, estimated-tax planning, and IRS notice responses.

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Tax Advisory • Accounting • Compliance • Financial Reporting

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Legal review date: November 12, 2026. Next scheduled review: November 2027, or earlier if applicable federal or state law changes. This guide is intended for general education and does not constitute a taxpayer-specific legal opinion or tax advice. Casino session methods, promotional awards, professional gambler classification, and state-specific reporting require evaluation of the actual facts. The 2026 W-2G thresholds and statutory wagering-loss change have been checked against current IRS guidance; final publication should receive technical sign-off for specialized applications.