

## **Gambling Loss Deduction Revision**

Dear Client,

When the *Big Beautiful Bill* was signed into effect on July 4, 2025, much of the public discussion focused on the bill's broad tax rate adjustments and new economic incentives. However, one of the more hidden but impactful tax changes involves a revision to how gambling losses can be deducted against gambling winnings. This dramatic shift in tax law could significantly affect individuals who participate in gaming activities—whether that's the occasional lottery ticket, a weekend at the casino, or regular online sports betting.

### **What's Changed**

Under prior law, taxpayers who itemized deductions were permitted to deduct gambling losses up to the full amount of their gambling winnings. This meant that if you won \$10,000 and lost \$10,000, you could offset the entire amount, resulting in no net taxable income from gambling activity (though the winnings still had to be reported).

Beginning with the 2025 tax year, the *Big Beautiful Bill* limits the deduction for gambling losses to 90% of gambling winnings. In practical terms, even if your losses fully match or exceed your winnings, you may only deduct up to 90% of the amount you won. The remaining 10% of your winnings will now be taxable income, regardless of your actual profit or loss.

#### *Example*

If you win \$10,000 and lose \$10,000 during the year, under the new law you may only deduct \$9,000 in losses. The remaining net \$1,000 will be included as net taxable income.

### **Why This Matters**

This change effectively increases taxable income for anyone who gambles, even when their gambling activity breaks even or results in an overall loss. For casual players, this might mean a small but noticeable increase in taxable income. For frequent or professional gamblers, the change could result in a significant shift in tax liability.

Furthermore, this new rule applies broadly—it also affects ancillary expenses related to gambling (such as travel, lodging, and entry fees). These costs are now included within the 90% limitation and can no longer be fully deducted even by professional gamblers reporting on Schedule C.

As always, please feel free to contact us if you have any questions.

Yours truly,

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