



GAMBLING WINNINGS/LOSSES



Question: Are gambling winnings always taxable?

Answer: Gambling winnings are fully taxable and must be reported on your tax return. Here are the top seven facts the Internal Revenue Service wants you to know about gambling winnings.

1. Gambling income includes – but is not limited to – winnings from lotteries, raffles, horse and dog races and casinos, as well as the fair market value of prizes such as cars, houses, trips or other noncash prizes.
2. Depending on the type and amount of your winnings, the payer might provide you with a Form W-2G and may have withheld federal income taxes from the payment.
3. The full amount of your gambling winnings for the year must be reported on line 21 of IRS Form 1040. You may not use Form 1040A or 1040EZ. This rule applies regardless of the amount and regardless of whether you receive a Form W-2G or any other reporting form.
4. If you itemize deductions, you can deduct your gambling losses for the year on line 28 of Schedule A, Form 1040.
5. You cannot deduct gambling losses that are more than your winnings.
6. It is important to keep an accurate diary or similar record of your gambling winnings and losses.

To deduct your losses, you must be able to provide receipts, tickets, statements or other records that show the amount of both your winnings and losses.

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Going Green May Reduce Your Taxes

ENERGY CREDITS 2010 (www.irs.gov)

1. **Residential Energy Property Credit** - This credit is 30 percent of the cost of all qualifying improvements to a homeowners' existing home. The maximum credit is \$1,500 for improvements placed in service in 2009 and 2010 combined. Improvements include adding insulation, energy efficient exterior windows and energy-efficient heating and air conditioning systems.
2. **Residential Energy Efficient Property Credit** - This tax credit will help pay for qualified residential alternative energy equipment, such as solar hot water heaters, solar electricity equipment, geothermal heat pumps and wind turbines installed on or in connection with their home located in the U.S. and qualified fuel cell property installed on or in connection with their main home located in the U.S. This runs through 2016 and is 30 percent of the cost of qualified property.
3. **Plug-in Electric Drive Vehicle Credit** - The minimum amount of the credit for qualified plug-in electric drive vehicles, which runs through 2014, is \$2,500 and the credit tops out at \$7,500, depending on the battery capacity. There are manufacturer phase outs once they reach a certain amount sold.
4. **Plug-in Electric Vehicle Credit** - This is for two types of plug-in vehicles, certain low-speed electric vehicles and two- or three-wheeled vehicles. It's 10 percent of the cost of the vehicle, up to a maximum credit of \$2,500 for purchases made after 2-17-09, and before 1-1-12.
5. **Credit for Conversion Kits** - 10 percent of the cost of converting a vehicle to a qualified plug-in electric drive motor vehicle that is placed in service after 2-17-09. The maximum credit, which runs through 2011, is \$4,000.
6. **Treatment of Alternative Motor Vehicle Credit as a Personal Credit Allowed Against AMT Starting in 2009** - ARRA allows the Alternative Motor Vehicle Credit, including the tax credit for purchasing hybrid vehicles, to be applied against the Alternative Minimum Tax.

Ken's Corner

There's been a lot of buzz about my name change and I have told this story hundreds of times. To help with this onslaught, I created a full narrative on the story behind my change from Ken Pangelinan to Ken Allen and it's on my website at www.taxreliever.com. Click on the link, "About the Owner" and scroll to the bottom. Thanks again to all those who continue to trust us to guide you through your tax matters.

Trivia Question

“Which ancient civilization revered the tax professional as the most noble man in society?”

1. Greece
2. Rome
3. Egypt
4. Incas

See page 2 for the answer



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Health Care Reform, Taxes, & how it affects me.

Summary of Tax Changes:

- Increase in Medicare Tax.** Currently the Medicare tax rate is 2.9% on all wage earners, with the employer and employee paying 1/2 of that (self employed pay 100% of this through the SE Tax on their returns). In 2013, incomes over \$200k for singles and \$250k for married couples filing a joint return, the tax will increase to an additional 0.9%. This will affect over 30% of the nations 150 million tax payers who file an income tax return.
- Additional 3.8% Medicare tax on investment income.** Interest, dividends, royalties, rental, Partnership and S-Corporation income. I think this will affect almost EVERY taxpayer in the entire country.
- Tax Penalty for individuals who fail to maintain adequate insurance coverage.** \$95/person (or 1% of your income, whichever is greater) in 2014, \$325/person (or 2% of your income, whichever is greater) in 2015, \$695/person (or 2.5% of your income, whichever is greater) in 2016 and adjusted for inflation after that. *People who have a religious conscience objection to insurance coverage are exempt from this tax. Hmmmm, I wonder how many people will start to become "RELIGIOUS" because of this!
- Health Insurance Tax Credits—** Individuals and families earning within certain parameters of the federal poverty level will be eligible for these credits to subsidize health insurance costs. Medicaid coverage will also be expanded.
- Non-medical withdrawal penalties from Health Savings Accounts** will double from the current 10% penalty to 20%. Archer MSA penalties went up from 15% to 20%.
- Schedule A medical expense deduction** limits increased from the current 7.5% limit of your adjusted gross income to 10% starting in 2013.

Bottom Line—Health care, as with any benefit this country offers, costs money and the IRS has just been put in charge of collecting this.

By: Ken Allen, EA

Answer to Trivia Question

ANSWER: 1. Greece

Taxes and taxation are often received with mixed emotions. Historically, taxes have been met with rebellion and unrest; patriotism; war; and voluntary compliance. French tax collectors were sent to the guillotine in 1789.