

Subject 208

Gambling Income and Expenses

Gambling winnings are fully taxable and must be reported on your tax return as Gambling winnings on the form **AR-OI** on line 4 (Gambling Winnings) or line 5 (Lottery/Contest winnings). Gambling income includes, but is not limited to, winnings from lotteries, raffles, horse races, and casinos, as well as the fair market value of prizes such as cars and trips.

Exception: Winnings, before July 1, 2019, from Arkansas electronic games of skill, are assessed a 3% flat tax. The winnings and tax are not included on the Individual Arkansas tax return as income or withholding. After July 1, 2019, the designation becomes Casino Gambling Winnings. The winnings and tax are included on the Individual Arkansas tax return as income and withholding.

If you itemize your deductions, you may claim your gambling losses as a miscellaneous deduction not subject to the 2% deduction on Form AR3, Itemized Deduction Schedule. You cannot deduct more losses than the amount of gambling winnings you report on your return.

It is important to keep an accurate record of your gambling winnings and losses—you must provide receipts, tickets, or statements to document your winnings and losses, if requested.