

## Impose 1.5% gross receipts tax on gambling & lottery winnings

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**Description** This proposal would impose a new excise tax on gambling and lottery winnings in the amount of 1.5% of gross winnings, using the federal thresholds for income tax reporting. Taxpayers may not deduct gambling losses.

The tax would apply to Washington residents on their gambling winnings inside and outside of the state. The tax would also apply to nonresidents on their winnings from this state. To avoid risk of multiple taxation, Washington residents would be allowed a credit for any taxes paid to another state on the same gambling winnings.

*Note:* Private in-state gambling establishments and the lottery would be required to withhold tax on payouts meeting the federal filing thresholds.

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### Current Law

#### *State Law*

Currently, there is no tax in this state on gambling and lottery winnings.

#### *Federal Law*

Gambling and lottery winnings are fully taxable for federal income tax purposes.

Gaming and lottery operators (including tribal operations, according to the National Indian Gaming Commission) are required to report winnings to the Internal Revenue Service based on the following thresholds:

1. The winnings (not reduced by the wager) are \$1,200 or more from a bingo game or slot machine,
2. The winnings (reduced by the wager) are \$1,500 or more from a keno game,
3. The winnings (reduced by the wager or buy-in) are more than \$5,000 from a poker tournament,
4. The winnings (except winnings from bingo, slot machines, keno, and poker tournaments) reduced, at the option of the payer, by the wager are:
  - a. \$600 or more, and
  - b. At least 300 times the amount of the wager, or
5. The winnings are subject to federal income tax withholding (either regular gambling withholding or backup withholding).

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## Impose 1.5% gross receipts tax on gambling & lottery winnings, Continued

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**Current Law**  
(continued) Typically, if winnings exceed \$5,000, or represent at least 300 times the amount of the wager, operators must both report the winnings and withhold federal income tax.

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**Revenue Impact**

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$ 0	\$ 13.1	\$13.1

*Notes:*

- *This estimate is based on information found on IRS form W2-G.*
  - *Estimates assume a July 1, 2012, effective date, representing 11 months of collections for FY 2013.*
  - *Estimates reflect the November 2011 Economic & Revenue Forecast Council revenue forecast.*
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**Expenditure Impact**

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$659,500	\$1,414,500	\$2,074,000

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