



# Instructions for Forms W-2G and 5754

(Revised November 2007)

Section references are to the Internal Revenue Code unless otherwise noted.

## What's New

**Poker tournaments.** Rev. Proc. 2007-57 informs sponsors of poker tournaments, including casinos, that payments of winnings of more than \$5,000 are subject to the rules for backup withholding and information reporting under section 3402(q) and its regulations for payments made on or after March 4, 2008.

## Reminder

In addition to these specific instructions, you should also use the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G. Those general instructions include information about the following topics.

- Backup withholding.
- Electronic reporting requirements.
- Penalties.
- When and where to file.
- Taxpayer identification numbers.
- Statements to recipients.
- Corrected and void returns.
- Other general topics.

You can get the general instructions from the IRS website at [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

## Specific Instructions for Form W-2G

File Form W-2G, Certain Gambling Winnings, to report gambling winnings and any federal income tax withheld on those winnings. The requirements for reporting and withholding depend on the type of gambling, the amount of the gambling winnings, and generally the ratio of the winnings to the wager.

The types of gambling are discussed in these instructions under the following four headings.

1. *Horse Racing, Dog Racing, Jai Alai, and Other Wagering Transactions Not Discussed Later.*
2. *Sweepstakes, Wagering Pools, and Lotteries.*
3. *Bingo, Keno, and Slot Machines.*
4. *Poker Tournaments.*

## Tax-Exempt Organizations

A tax-exempt organization conducting gaming activities may be required to withhold income tax and report on Form W-2G. See Pub. 3079, Gaming Publication for Tax-Exempt Organizations.

## Reportable Gambling Winnings

Generally, gambling winnings are reportable if the amount paid reduced, at the option of the payer, by the wager is (a) \$600 or more **and** (b) at least 300 times the amount of the wager. However, these requirements do not apply to winnings from bingo, keno, and slot machines. Gambling winnings for these games are reportable if:

- The winnings (reduced by the wager) are \$1,500 or more from a keno game,

- The winnings (not reduced by the wager) are \$1,200 or more from a bingo game or slot machine, or
- The winnings (reduced by the wager or buy-in) are more than \$5,000 from a poker tournament.

If you pay reportable gambling winnings, you must file Form W-2G with the IRS and provide a statement to the winner (Copies B and C of Form W-2G).

## Withholding

There are two types of withholding on gambling winnings: (a) regular gambling withholding at 25% (33.33% for certain noncash payments) and (b) backup withholding at 28%. If a payment is already subject to regular gambling withholding, it is not subject to backup withholding.

## Regular Gambling Withholding

You may be required to withhold 25% of gambling winnings for federal income tax. This is referred to as regular gambling withholding. Withhold at the 25% rate if the winnings are more than \$5,000 and are from:

- Sweepstakes;
- Wagering pools;
- Lotteries; and
- Other wagering transactions if the winnings are at least 300 times the amount wagered.

Do not withhold at the 25% rate on winnings from bingo, keno, slot machines, or any other wagering transaction if the winnings are \$5,000 or less. However, see *Backup Withholding* below.

Regular gambling withholding applies to the total amount of gross proceeds (the amount of winnings less the amount wagered), not merely to the amount in excess of \$5,000.

Report the amount you withheld in box 2 of Form W-2G. Also file Form 945, Annual Return of Withheld Federal Income Tax, to report all your gambling withholding.

**Noncash payments.** A noncash payment, such as a car, must be taken into account at its fair market value (FMV) for purposes of reporting and withholding. If the FMV exceeds \$5,000, after deducting the price of the wager, the winnings are subject to 25% regular gambling withholding. The tax you must withhold is computed and paid under either of the following two methods.

1. The winner pays the withholding tax to the payer. In this case, the withholding is 25% of the FMV of the noncash payment minus the amount of the wager.

2. The payer pays the withholding tax. In this case, the withholding is 33.33% of the FMV of the noncash payment minus the amount of the wager.

If you use method 2, enter the sum of the noncash payment and the withholding tax in box 1 of Form W-2G and the withholding tax paid by the payer in box 2.

## Backup Withholding

You may be required to withhold 28% of gambling winnings (including winnings from bingo, keno, slot machines, and poker tournaments) for federal income tax. This is referred to as backup withholding. You should backup withhold at the 28%

rate if:

- The winner does not furnish a correct taxpayer identification number (TIN) and
- 25% has not been withheld or the winnings are from bingo, keno, slot machines, or poker tournaments.

Backup withholding applies to the total amount of the winnings reduced, at the option of the payer, by the amount wagered. This means the total amount, not just the payments in excess of \$600, \$1,200, \$1,500, or \$5,000, is subject to backup withholding at 28%.

Report the amount you withheld in box 2 of Form W-2G. Also file Form 945 to report all backup withholding. You may use Form W-9, Request for Taxpayer Identification Number and Certification, to request the TIN of the recipient.

See the instructions on the following pages for each type of gambling for detailed rules on backup withholding.

### Foreign Persons

Payments of gambling winnings to a nonresident alien individual or a foreign entity are not subject to reporting or withholding on Form W-2G. Generally, gambling winnings paid to a foreign person are subject to 30% withholding under sections 1441(a) and 1442(a) and are reportable on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding. Winnings of a nonresident alien from blackjack, baccarat, craps, roulette, big-6 wheel, or a live dog or horse race in the United States from legal wagers initiated outside the United States in a parimutuel pool are not subject to withholding or reporting. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

### State Tax Information

If state income tax withholding is required on gambling winnings in your state, you may want to complete boxes 13 and 14 on Form W-2G. Copy 1 of the form may be used to provide information to the state, and Copy 2 may be used as the winner's copy for use in filing a state income tax return. A state identification number is assigned by each individual state.

### Form 5754

If the person receiving the winnings is not the actual winner, or is a member of a group of winners, see *Specific Instructions for Form 5754* on page 4.

### Statements to Winners

If you are required to file Form W-2G, you must also provide a statement to the winner. For information about the requirement to furnish a statement to the winner, see part M in the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G. You may furnish Copies B and C of Form W-2G.

## 1. Horse Racing, Dog Racing, Jai Alai, and Other Wagering Transactions Not Discussed Later

File Form W-2G for every person to whom you pay \$600 or more in gambling winnings if such winnings are at least 300 times the amount of the wager. If the person presenting the ticket for payment is the sole owner of the ticket, complete Form W-2G showing the name, address, and TIN of the winner. If regular gambling withholding is required, the winner must sign Form W-2G, under penalties of perjury, stating that he or she is the sole owner and that the information listed on the form is correct.

### Withholding

You must withhold federal income tax, at the rate of 25% (regular gambling withholding), from the amount of winnings less the amount wagered. Do this if the winnings less the wager exceed \$5,000 **and** if the winnings are at least 300 times the amount of the wager.

If the winner of reportable gambling winnings does not provide a TIN, you must backup withhold at the rate of 28% on any such winnings that are not subject to 25% regular gambling withholding. That is, backup withholding applies if the winnings

are at least \$600 but not more than \$5,000 and are at least 300 times the wager. Figure the 28% backup withholding on the amount of the winnings reduced, at the option of the payer, by the amount wagered.

### Multiple Wagers

For multiple wagers sold on one ticket, such as the \$12 box bet on a Big Triple or Trifecta, the wager is considered as six \$2 bets and not one \$12 bet for purposes of computing the amount to be reported or withheld. Winnings on a \$12 box bet must be reported if they are \$600 or more, and federal income tax must be withheld if the proceeds total more than \$5,000 or, if the proceeds do not exceed \$5,000, if the recipient fails to provide a TIN.

### Identical Wagers

Winnings from identical wagers (for example, two \$2 bets on a particular horse to win the same race) are added together for purposes of the reporting and withholding requirements. Also, winnings from identical wagers that are not part of the payment for which the Form W-2G is being prepared are added together for purposes of withholding to determine if the total amount of proceeds from identical wagers is more than \$5,000.

#### Box 1

Enter payments of \$600 or more if the payment is at least 300 times the amount of the wager.

#### Box 2

Enter any federal income tax withheld, whether 25% regular gambling withholding or 28% backup withholding.

#### Box 3

Enter the type of wager if other than a regular race bet, for example, Daily Double or Big Triple.

#### Box 4

Enter the date of the winning event. This is not the date the money was paid if it was paid after the date of the race (or game).

#### Box 5

Not applicable.

#### Box 6

Enter the race (or game) applicable to the winning ticket.

#### Box 7

Enter the amount of additional winnings from identical wagers.

#### Box 8 or 10

Enter the cashier and/or window number making the winning payment.

#### Box 9

This is required information. Enter the TIN of the person receiving the winnings. For an individual this will be their social security number (SSN) or individual taxpayer identification number. If the winner fails to give you a TIN, backup withholding applies. See *Withholding* on this page.

#### Boxes 11 and 12

As verification of the name, address, and SSN of the person receiving the winnings, enter the identification numbers from two forms of identification. The identification may be from a driver's license, social security card, or voter registration. Enter the number and the state or jurisdiction. In some instances, the number may be the same number as in box 9.

#### Box 13 (optional)

Enter the abbreviated name of the state and your state identification number.

#### Box 14 (optional)

Enter the amount of state income tax withheld.

## 2. Sweepstakes, Wagering Pools, and Lotteries

File Form W-2G for each person to whom you pay \$600 or more in gambling winnings from a sweepstakes, wagering pool,

or lottery (including a state-conducted lottery) if the winnings are at least 300 times the amount of the wager. The wager must be subtracted from the total winnings to determine whether withholding is required and, at the option of the payer, to determine whether reporting is required. The wager must be subtracted at the time of the first payment.

The requirements in this section apply to church raffles, charity drawings, etc. In the case of one wager for multiple raffle tickets, such as five for \$1, the wager is considered as \$.20 for each ticket.

### **Withholding**

You must withhold federal income tax, at the rate of 25% (regular gambling withholding), from the amount of winnings less the amount wagered if the winnings less the wager exceed \$5,000. If the winner of reportable gambling winnings does not provide a TIN, you must backup withhold at the rate of 28% on any such winnings that are not subject to 25% regular gambling withholding. That is, backup withholding applies if the winnings are at least \$600 but not more than \$5,000 and are at least 300 times the wager. Figure the 28% backup withholding on the amount of the winnings reduced, at the option of the payer, by the amount wagered.

Installment payments of \$5,000 or less are subject to 25% regular gambling withholding if the total proceeds from the wager will exceed \$5,000.

If payments are to be made for the life of a person (or for the lives of more than one person), and it is actuarially determined that the total proceeds from the wager are expected to exceed \$5,000, such payments are subject to 25% regular gambling withholding. When a third party makes the payments, for example, an insurance company handling the winnings as an annuity, that third party must withhold.

### **When Paid**

A payment of winnings is considered made when it is paid, either actually or constructively, to the winner. Winnings are constructively paid when they are credited to, or set apart for, that person without any substantial limitation or restriction on the time, manner, or condition of payment. However, if not later than 60 days after the winner becomes entitled to the prize, the winner chooses the option of a lump sum or an annuity payable over at least 10 years, the payment of winnings is considered made when actually paid. If the winner chooses an annuity, file Form W-2G each year to report the annuity paid during that year.

### **Box 1**

Enter payments of \$600 or more if the payment is at least 300 times the amount of the wager.

### **Box 2**

Enter any federal income tax withheld, whether 25% regular gambling withholding or 28% backup withholding.

### **Box 3**

Enter the type of wager (such as raffle or 50-50 drawing) or the name of the lottery (such as Instant, Big 50, Baker's Dozen, or Powerball) and the price of the wager (\$.50, \$1, etc.).

### **Box 4**

Enter the date of the winning transaction, such as the date of the drawing of the winning number. This might not be the date the winnings are paid.

### **Box 5**

For a state lottery, enter the ticket number or other identifying number.

### **Boxes 6 Through 8 and 10**

Not applicable.

### **Box 9**

This is required information. Enter the TIN of the person receiving the winnings. For an individual this will be their social security number (SSN) or individual taxpayer identification

number. If the winner fails to give you a TIN, backup withholding applies. See *Withholding* above.

### **Boxes 11 and 12**

As verification of the name, address, and SSN of the person receiving the winnings, enter the identification numbers from two forms of identification. The identification may be from a driver's license, social security card, or voter registration. Enter the number and the state or jurisdiction. In some instances, the number may be the same number as in box 9.

### **Box 13 (optional)**

Enter the abbreviated name of the state and your state identification number.

### **Box 14 (optional)**

Enter the amount of state income tax withheld.

## **3. Bingo, Keno, and Slot Machines**

File Form W-2G for every person to whom you pay \$1,200 or more in gambling winnings from bingo or slot machines, or \$1,500 or more from keno after the price of the wager for the winning keno game is deducted. If the winnings are not paid in cash, the FMV of the item won is considered the amount of the winnings. Total all winnings from each bingo or keno game. Winnings and losses from other wagering transactions are not to be taken into account in arriving at the \$1,200 or \$1,500 figure.

### **Withholding**

Regular gambling withholding (25%) does not apply to winnings from bingo, keno, or slot machines. However, if the recipient of reportable gambling winnings from bingo, keno, or slot machines does not provide a TIN, you must backup withhold at the rate of 28%. That is, if the winnings are at least \$1,200 from bingo or slot machines or \$1,500 from keno, 28% backup withholding applies to the amount of the winnings reduced, at the option of the payer, by the amount wagered.

### **Box 1**

Enter payments of \$1,200 or more from bingo or slot machines or payments of \$1,500 or more from keno.

### **Box 2**

Enter any 28% backup withholding.

### **Box 3**

Enter the type of wager (that is, bingo, keno, or slot machines) and the amount of the wager.

### **Box 4**

Enter the date of the winning transaction.

### **Box 5**

Enter the ticket number, card number (and color, if applicable), machine serial number, or any other information that will help identify the winning transaction.

### **Boxes 6 and 7**

Not applicable.

### **Box 8**

Enter the initials of the person paying the winnings.

### **Box 9**

This is required information. Enter the TIN of the person receiving the winnings. For an individual this will be their social security number (SSN) or individual taxpayer identification number. If the winner fails to give you a TIN, backup withholding applies. See *Withholding* above.

### **Box 10**

Enter the location of the person paying the winnings, if applicable.

### **Boxes 11 and 12**

As verification of the name, address, and SSN of the person receiving the winnings, enter the identification numbers from

two forms of identification. The identification may be from a driver's license, social security card, or voter registration. Enter the number and the state or jurisdiction. In some instances, the number may be the same number as in box 9.

**Box 13 (optional)**

Enter the abbreviated name of the state and your state identification number.

**Box 14 (optional)**

Enter the amount of state income tax withheld.

**4. Poker Tournaments**

File Form W-2G for each person to whom you pay more than \$5,000 in winnings, reduced by the amount of the wager or buy-in, from each poker tournament you have sponsored. Winnings and losses of the participant from other poker tournaments you have sponsored during the year are not taken into account in arriving at the \$5,000 amount.

**Withholding and backup withholding.** If you file Form W-2G for the person to whom you pay more than \$5,000 in net winnings from a poker tournament, and provide a copy of Form W-2G to such person, regular gambling withholding does not apply to such winnings. However, if the person who wins more than \$5,000 does not provide a TIN, you must apply 28% backup withholding to the full amount of the winnings from the tournament. Net winnings of \$5,000 or less are not subject to reporting, withholding, or backup withholding.

**Box 1**

Enter payments of more than \$5,000 in net gambling winnings from a poker tournament.

**Box 2**

Enter zero as the amount, unless the winning person has not provided a TIN. If the winning person has not provided a TIN, enter the 28% backup withholding amount.

**Box 3**

Write "poker tournament" in the entry space.

**Box 4**

Enter the date of the poker tournament.

**Box 5**

Enter the name of the tournament and its sponsor.

**Boxes 6 through 8 and Box 10**

Not applicable.

**Box 9**

This is required information. Enter the TIN of the person receiving the winnings. For an individual this will be their social security number (SSN) or individual taxpayer identification number. If the winner fails to give you a TIN, backup withholding applies. See *Withholding and backup withholding* above.

**Boxes 11 and 12**

As verification of the name, address, and SSN of the person receiving the winnings, enter the identification numbers from two forms of identification. The identification may be from a driver's license, social security card, or voter registration. Enter the number and the state or jurisdiction. In some instances, the number may be the same number as in box 9.

**Box 13 (optional)**

Enter the abbreviated name of the state and your state identification number.

**Box 14 (optional)**

Enter the amount of state income tax withheld.

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**Specific Instructions for Form 5754**

Use Form 5754, Statement by Person(s) Receiving Gambling Winnings, only to prepare Form W-2G when the person receiving gambling winnings subject to reporting or withholding is not the actual winner or is a member of a group of two or more winners on the same winning ticket. The payer is required to file Forms W-2G based on Form 5754.

The person receiving the winnings must furnish all the information required by Form 5754. However, a recipient of winnings from a state-conducted lottery need not provide identification other than his or her taxpayer identification number (TIN).

Part I lists the identification of the person to whom the winnings are paid, and Part II lists the actual winners, their respective shares of the winnings, and any additional winnings from identical wagers.

In Part II, the person receiving the winnings must provide the name, address, TIN, respective share of the winnings, and additional winnings from identical wagers for each of the winners. In addition, if regular gambling withholding is required, the form must be signed, under penalties of perjury, and dated by the person receiving the winnings.

The form must be returned to the payer for preparation of Form W-2G for each of the persons listed as winners. Forms W-2G may be issued immediately or by January 31 following the year of the payment.

Do not send Form 5754 to the IRS. Keep it for your records.

**Withholding and Forms W-2G for Multiple Winners**

If more than one person shares in the winnings from a single wager, the total amount of the winnings (less the amount wagered) will determine the amount of the proceeds for purposes of reporting and withholding. Do not allocate winnings to each winner before determining whether the withholding or reporting thresholds were reached.

For example, E purchases a sweepstakes ticket for \$1 on behalf of himself and S, who contributes an equal amount of the ticket price and who will share equally in any winnings. The ticket wins \$5,002. Because the winnings (\$5,002 - \$1 = \$5,001) are more than \$5,000, you must withhold 25% of \$5,001. You must prepare a separate Form W-2G for E and for S using the information furnished to you on Form 5754.