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The New Regulations

Since 1978, if you hit a $7,000 pick 6 on a $100 ticket, at least 25% (more in certain states) was confiscated by the government for taxes that you might have been liable for in the future. Even if you wound up the year a net loser and could prove it—and filed an itemized federal return--you'd have to wait months to see your money again. Many players just gave up and regarded the nearly $2,000 withheld as money gone forever, or became a quasi-criminal by having the ticket cashed by a ten-percenter.

No more. New regulations published in the Federal Register on September 27 mean that now, you would get the whole $7,000, immediately.

The rule remains that you'll need to fill out a W-2G on $5,000-plus winning tickets that pay 300-1 or more, and money will still be withheld. But now, *all other bets made on the same ticket will count as part of the bet.* So if you made a $64 bet, the payoff would have to be $19,264 before paperwork and the money grab kicks in. If you made a $200 bet, you're free to go unless your payoff reaches $60,200. No longer is the 300-1 requirement figured on the base bet; instead, it's calculated on the *entire* bet.

It's obvious that this is very good news for horseplayers. Previously, even if you lost for the year and had records to prove it, your signers would push you into a higher number on the Adjusted Gross Income total (line 37 on your 1040), which could have serious consequences for eligibility for certain programs--even if you blew all those profits as shown by your miscellaneous deduction (Gambling Losses) on line 28 of Schedule A. And if you didn't itemize, you had no way of recovering those nonexistent "winnings." In addition, several states also taxed you on these non-winnings.

Now, you probably won't have those signers, or maybe just a couple. No long lines at the IRS window at the track, with recently paroled bandits scrutinizing your every move. No unfortunate surprises when you check your ADW account. No states grabbing winnings that are not really winnings, holding your money hostage and making you less happy than you would have been without the government grab.

Tracks have long known that if people have money in their pockets, they bet. When they have less money, they bet less. Which is why you see so many 10-cent superfectas and 50-cent pick 5's, for instance—a $1 superfecta paying $8,000 (and requiring withholding) is a mere $800 score on a dime bet (which doesn't require withholding). The push to reduce bet minimums was always a way for players to dodge the IRS, a discussion of which is best left to ethics classes.

You still have to declare all your winnings (officially, even if you hit a $2 bet that pays $3, although in real life quite possibly nobody in America has ever done this), and then deduct your losses. And if you bet $2 and miraculously your ticket returns $6,000, you will still be docked withholding.

Much of the lobbying credit for this change, after years of trying, goes to the National Thoroughbred Racing Association, an organization which has generally shown little interest in non-tournament horseplayers. But horseplayers' bets affect purses, and that attracted the NTRA's attention. More money available to bet, more betting, more money for purses.

Still, the NTRA remains semi-clueless. At a press conference heralding the new rules, NTRA president Alex Waldrop was asked about how saver tickets will be handled. As it turns out, if you play a $150 main ticket and a $12 saver ticket and the saver ticket hits for $5,200, the IRS won't aggregate the bets if you played at the track (online tickets are considered part of one large bet, but not on-track tickets) and will dun you for withholding. To avoid this, Waldrop said you should just go back to the mutual clerk and combine the saver with the main. Only you can't, because a saver ticket is completely different from the original ticket (e.g., a saver might single a different horse and then use fewer combinations than the main ticket—therefore it can't be combined).

Then there was the NTRA press release, which touted this: "[The new rules] will allow horseplayers to keep more of their winnings, thereby increasing the amount wagered on U.S. pari-mutuel racing by as much as 10% annually, or upwards of $1 billion, according to independent estimates." I got quite a chuckle out of that one. Sure, there figures to be *some* increase due to more of a churn, but $1 billion? Who made the independent estimate—a 4-year-old on crack?

Many players find their bankrolls disappearing during the gambling year, only to have them replenished by tax refunds the following spring. So they still wind up with the money they originally won, though they lost the use of it for months by courteously granting the government an interest-free loan. But now, there won't be so many of those loans.

The new regulations won't help you if you invest $2,000 in a pick 6 and hit it for $1,200; you're still both a winner and a loser, though you won't have to fill out any forms, which gives you more time to study for tomorrow's card.

And this: Now, the loneliest guy at the track will be the local ten-percenter, hovering near the IRS window with nary a customer and only his fond memories for comfort.