



# DON'T TAX YOURSELF

A Publication of Bowditch & Dewey's Estate, Financial & Tax Planning Group

## Sports Betting Coming Soon to Massachusetts – Can I Deduct My Sports Betting Losses?

BY SCOTT C. CASHMAN • JANUARY 23, 2023

It is expected that [sports betting will be allowed in Massachusetts](#) in the coming weeks. Initially, sports betting will be allowed in-person at Plainridge Park Casino in Plainville, MGM Springfield and Encore Boston Harbor in Everett. Mobile betting will follow, possibly in time for March Madness. With the allowance of sports betting, you may be wondering how to report your losses on your taxes.

Federal gross income includes winnings from all types of gambling, including lottery, slot parlor, casino and sports betting. In Massachusetts, gross income is defined as federal gross income as defined in the Internal Revenue Code as of January 1, 2005, with certain modifications.

If a Massachusetts resident wins \$5,000 at a casino, the taxpayer would report \$5,000 of income for both federal and Massachusetts purposes, but what if the taxpayer also had \$5,000 of gambling losses?

Federal tax law allows taxpayers to deduct their gambling losses to the extent of any gambling winnings as an itemized deduction. In the above example, if the taxpayer itemizes deductions, they would [offset the winnings with the losses](#). However, in Massachusetts, [gambling losses are generally only deductible](#) if they were incurred in Massachusetts licensed casinos (to the extent of winnings from a Massachusetts casino). Note that losses may also be allowed if the taxpayer is engaged in the trade or business of gambling. As we previously discussed in our blog post "[Massachusetts Tax Deduction for Gambling Losses](#)," the law that expanded gaming by allowing casinos to be built in Massachusetts contained provisions that allow taxpayers to deduct casino losses to the extent of gambling winnings.

Therefore, in the example above, if the Massachusetts taxpayer wins \$5,000 at the tables at MGM in Springfield, Massachusetts, and then takes a trip to Connecticut and loses \$6,000 at Mohegan Sun or Foxwoods casino, no deduction would be allowed when computing Massachusetts income tax and the taxpayer would pay tax on the winnings even though a net loss was incurred.

In the context of sports betting, taxpayers should be able to offset sports gambling losses incurred in-person at the Massachusetts casinos. The burden is on the taxpayer to prove any losses (see Rev proc 77-29, 1977-2 CB 538).

However, once betting is allowed online or via a sports app, Massachusetts taxpayers placing those wagers will have to report as income on their Massachusetts tax return all of the winnings without being able to offset any of the losses.