

**WISCONSIN DEPARTMENT OF REVENUE
DIVISION OF INCOME, SALES, AND EXCISE TAX**

NOTICE OF PROPOSED GUIDANCE DOCUMENTS

Pursuant to sec. 227.112, Wis. Stats., the Wisconsin Department of Revenue, Division of Income, Sales, and Excise Taxes hereby seeks comment on the proposed guidance documents listed in the table below.

SUBMITTING PUBLIC COMMENTS

Public comments on proposed or adopted guidance documents may be submitted online at: <https://www.revenue.wi.gov/Pages/contactUs/proposed-Guidance.aspx>.

DEADLINE FOR SUBMISSION

The period for public comment for proposed guidance documents ends 21 days after publication in the Administrative Register, unless the Governor approves a shorter commenting period.

Document Number	Document Title
P601	Publication 601, <i>Wisconsin Taxation of Pari-Mutuel Wager Winnings</i>



This is a proposed guidance document. The document has been submitted to the Legislative Reference Bureau for publication in the Administrative Register for public comment as provided by [sec. 227.112\(1\)](#), Wis. Stats.

Wisconsin Taxation of Pari-Mutuel Wager Winnings

TABLE OF CONTENTS

	Page
1. INTRODUCTION	3
2. TAXATION OF PARI-MUTUEL WAGER WINNINGS	3
A. Sharing of Pari-Mutuel Wager Winnings	3
B. Reporting the Sharing of Winnings to the Racetrack.....	3
3. DEDUCTIONS FOR PARI-MUTUEL WAGER LOSSES.....	4
4. CREDIT FOR TAXES PAID TO OTHER STATES.....	4
5. WITHHOLDING OF WISCONSIN INCOME TAX FROM PARI-MUTUEL WAGER WINNINGS.....	4
6. ADDITIONAL QUESTIONS?	4

IMPORTANT CHANGES

Use this publication in preparing your 2019 tax return. There are no substantive changes since the last version of this publication.

1. INTRODUCTION

The purpose of this publication is to address various questions about the taxation of pari-mutuel wager winnings and withholding of Wisconsin income tax from such winnings.

2. TAXATION OF PARI-MUTUEL WAGER WINNINGS

A *resident* of Wisconsin is taxed on winnings from a pari-mutuel wager, whether the winnings are from a Wisconsin racetrack or other racetrack.

A *nonresident* of Wisconsin is taxed on winnings from a pari-mutuel wager that are paid by a Wisconsin racetrack. However, a nonresident of Wisconsin must have Wisconsin gross income, including any winnings, of \$2,000 or more before the nonresident is required to file a Wisconsin income tax return and pay Wisconsin income tax on the winnings.

For additional information concerning the taxation of pari-mutuel wager winnings in Wisconsin, see [Fact Sheet 1104, Gambling Winnings](#).

A. Sharing of Pari-Mutuel Wager Winnings

For both federal and Wisconsin income tax purposes, two or more persons may share the winnings from a single wager. The persons may also share in the taxation of those winnings.

If two or more persons agree to share in any potential winnings from a pari-mutuel wager, the amount of the winnings is reportable as taxable income by the person or persons who “own” the wager ticket at the time the event (for example, dog race) that determines the winner takes place. To share in the taxation of any potential winnings, an agreement to share in winnings must be made **prior** to the start of the event that determines the winner.

An agreement to share in winnings made **after** the start of the event that determines the winner will preclude the persons from sharing in the taxation of such winnings.

Note: If questioned, you must be able to show that an agreement was made to share in the winnings before the start of the event that determined the winner.

Example: You and two of your friends agree to share equally in a pari-mutuel wager before the time the race begins. You and your friends win a total of \$1,500 from the wager. You and your two friends should each report \$500 ($\$1,500 \div 3 = \500) as taxable income for each person’s share of the winnings.

B. Reporting the Sharing of Winnings to the Racetrack

If there was an agreement to share in winnings from a single wager that are a) more than \$600 and at least 300 times the amount of the wager or b) subject to Wisconsin withholding (see Part 5 on page 4), you must take the following steps to ensure that the winnings will be reported by the proper persons:

- Obtain federal [Form 5754, Statement by Person\(s\) Receiving Gambling Winnings](#), from the IRS. This form informs the racetrack that two or more persons are sharing in the proceeds from a wager and indicates each person's share of the winnings.
- Fill in the information requested on Form 5754. This information enables the racetrack to issue separate information returns (Forms W-2G) indicating the amount of taxable income to each person sharing winnings, and the amount of each person's share of income tax withheld, if any.
- Return Form 5754 to the racetrack for preparation of the Forms W-2G. Forms W-2G must be issued to the winners by January 31 following the year the winnings are paid.

3. DEDUCTIONS FOR PARI-MUTUEL WAGER LOSSES

Pari-mutuel wager losses may **not** be used in computing the Wisconsin itemized deduction credit. No deduction is permitted on the Wisconsin income tax return.

For additional information concerning deducting pari-mutuel wager winnings in Wisconsin, see Fact Sheet 1104, *Gambling Winnings*.

4. CREDIT FOR TAXES PAID TO OTHER STATES

If you were a Wisconsin resident and paid a net income tax to another state or the District of Columbia on winnings, you may be entitled to claim a credit for such income tax on your Wisconsin income tax return. To qualify for the credit, the winnings that were taxed by the other state must also be included in your Wisconsin income and be taxed by Wisconsin. For more information, see the instructions for Wisconsin Form 1 and Schedule OS.

5. WITHHOLDING OF WISCONSIN INCOME TAX FROM PARI-MUTUEL WAGER WINNINGS

Wisconsin income tax will be withheld from winnings of more than \$1,000 paid by a Wisconsin racetrack on a single wager. For purposes of the \$1,000 limit, winnings mean the total winnings from a single wager, not each person's share of the winnings from that wager.

Example: You and two other people make a single pari-mutuel wager and agree to share in any potential winnings from that wager before the start of the race. You and your friends win a total of \$1,500 from the wager. Wisconsin income tax will be withheld from the total winnings, even though each winner's individual share in the winnings (\$500) is \$1,000 or less.

In addition to the taxable amount of winnings reported on Form W-2G, Wisconsin withholding will also be shown, if applicable. If there was a sharing of the winnings that was reported to the racetrack, withholding will be shared in the same proportion and reported as such on Form W-2G.

Wisconsin income tax will be withheld at the highest rate that applies to individuals at the time of winning.

Note: Although Wisconsin income tax will not be withheld from winnings of \$1,000 or less, the winnings are still subject to Wisconsin income tax.

6. ADDITIONAL QUESTIONS?

If you have questions about the taxation of pari-mutuel wager winnings for Wisconsin income tax purposes, you may visit any Department of Revenue office or contact the department as follows:

By phone... (608) 266-2486

By mail... Mail Stop 231
Wisconsin Lottery
P.O. Box 8941
Madison, WI 53708-8941

By email... DORIncome@revenue.wi.gov

Applicable Laws and Rules

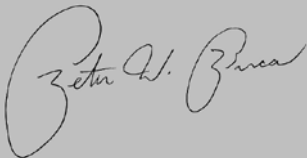
This document provides statements or interpretations of the following laws and regulations in effect as of January 30, 2020: Chapter 71, Wis. Stats.

Laws enacted and in effect after January 30, 2020, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to January 30, 2020, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

Certification Statement

As the Secretary of the Wisconsin Department of Revenue (DOR), I have reviewed this guidance document or proposed guidance document and I certify that it complies with secs. 227.10 and 227.11, Wis. Stats.. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is not explicitly required or explicitly permitted by a statute or rule that has been lawfully promulgated. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is more restrictive than a standard, requirement, or threshold contained in the Wisconsin Statutes.

DEPARTMENT OF REVENUE



Peter Barca

Secretary of Revenue