SB 194 -1 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 1/22, 2/7

WHAT THE MEASURE DOES:

Requires addition, in determination of Oregon taxable income, amount of losses from wagering transactions deducted on a taxpayer's federal return. Applies to tax years beginning on or after January 1, 2019.

ISSUES DISCUSSED:

- Federal Tax Cuts and Jobs Act of 2017 eliminated certain miscellaneous deductions but did not eliminate deduction for gambling losses
- Differences between professional gambler and non-professional, how each claims deduction for gambling losses
- Potential distribution of gambling loss deduction, example of typical individual deducting gambling losses
- Requirement of individuals to maintain a log or diary of gambling winnings and losses
- Potential maximum loss amount that can be claimed
- Differences in itemizing deductions on taxpayer's federal return as compared with itemizing on an Oregon return, due to increase in federal standard deduction
- Other states that allow or do not allow deductions of gambling losses
- Whether deduction should or should not be considered a subsidy for gambling.

EFFECT OF AMENDMENT:

-1 Replaces wagering transaction language of introduced version. Specifies deduction for losses from wagering transactions, as described in section 165(d) of the Internal Revenue Code, is not allowed for Oregon personal income or corporate excise tax purposes. Requires addition to federal taxable income in instances where wagering losses are deducted on taxpayer's federal return.

BACKGROUND:

Losses sustained during the taxable year on wagering transactions are allowed as an income tax deduction only to the extent of the gains during the taxable year from such wagering transactions. Colloquially this deduction is known as the deduction for gambling losses. Gambling losses can only be deducted to the extent the losses offset gambling winnings. For non-professional gamblers, gambling losses can only be deducted by taxpayers itemizing their deductions. To deduct losses, statute requires the taxpayer to keep an accurate diary or similar record of gambling winnings and losses. Professional gamblers may deduct gambling losses, up to gambling winnings, without itemizing by deducting losses through their gambling trade or business.

The gambling loss deduction is a federal deduction that Oregon is connected to through Oregon's connection to federal taxable income. For this reason, to disconnect from the federal deduction, an addition to Oregon taxable income is required.