



## **Internet Gambling Regulation and Tax Enforcement Act of 2008 (H.R. 5523)**

### **Overview of modifications in H.R. 5523, introduced March 4, 2008, and H.R. 2607, introduced June 7, 2007**

#### **Tax on Wagers**

- The territorial scope of the present-law tax on wagers (sections 4401 and 4404 of the Internal Revenue Code) would be expanded by H.R. 5523 to cover, in addition to wagers accepted in the United States, wagers placed within the United States or any Commonwealth, territory, or possession by a U.S. citizen or resident.
- H.R. 5523 also would provide that any person placing a wager with a gambling operator that is required to obtain a license [under H.R. 2046] but that failed to obtain such license shall be liable for the tax on wagers.
- H.R. 2607 did not include these provisions.

#### **Withholding on Withdrawals of Net Winnings**

- H.R. 5523 would add "net Internet gambling income" to the categories of income received by a nonresident alien individual that are subject to tax and withholding under Code sections 871 and 1441. Withholding would apply to amounts of net Internet gambling winnings withdrawn from an account established for the purpose of Internet gambling, but only after withdrawals exceed \$5,000 in a calendar year.
- H.R. 5523 would add "net Internet gambling income" as a new category of gambling winnings subject to withholding under Code section 3402(q). Withholding would apply only after withdrawals of net winnings exceed \$5,000 in a calendar year. Backup withholding would apply if the taxpayer fails to provide a valid taxpayer identification number.
- H.R. 2607 did not include withholding requirements.

#### **Licensee Information Returns**

- Under H.R. 5523, Internet gambling operators subject to the license fee under the bill would be required to file with the Department of the Treasury annual information returns listing --

(1) the Internet gambling operator's name, address, and tax information number,

(2) the name, address, and tax information number of each person placing a wager with the Internet gambling operator during the calendar year,

- (3) the gross winnings, gross wagers, and gross losses of each such person during the year,
- (4) the amount of tax withheld with respect to each such person,
- (5) beginning and end-of-year account balances for each such person, and
- (6) amounts deposited and withdrawn by each such person during the calendar year.

- Under H.R. 5523, Internet gambling operators would be required to provide to each person placing wagers with that operator an annual statement showing --

- (1) the name, address, and phone number of the information contact of the person required to make such return, and
- (2) the information required to be shown on such return with respect to such person.

- H.R. 2607 did not include these reporting requirements.

### **Effective Date**

- H.R. 5523 would be effective for wagers placed after December 31, 2008 (rather than on January 1, 2008, as in H.R. 2607).

### **Other Changes**

- H.R. 5523 includes changes to the bill title and other technical and clarifying modifications to H.R. 2607. H.R. 5523 would provide that the administrative provisions (assessment, collection, interest, penalties, etc.) applicable to excise taxes under the Code generally would apply with respect to the Internet gambling fee. Certain non-tax provisions in H.R. 2607 relating to licensees are not included in H.R. 5523.