**Steven Crist Explains the New Treasury Department Regulations Benefitting Horseplayers**

*The NTRA asked the former CEO and Editor of Daily Racing Form, Steven Crist, to answer some questions regarding the proposed new U.S. Treasury Department regulations relating to reporting and withholding requirements for racetrack winnings.*

**1. What are these new reporting and withholding regulations and are they a good or bad thing for horseplayers?**

The new regulations are a badly needed reform that will significantly reduce the current tax reporting and withholding burdens. They are a godsend for horseplayers.

**2. Why are these changes necessary?**

The existing laws were created four decades ago before the widespread advent of exotic wagers that usually involve playing multiple combinations. As a result, horseplayers have been taxed on their winnings that are not reduced by their entire investment in the wager rather than their actual profits, and have incurred tax burdens for a “winning” wager even when their investment exceeded their return.

**3. How does it work now, and what will be changed going forward?**

Currently, payoffs are reported to the IRS if they are $600 or more and at odds of 300-1 or greater, so a $2 trifecta payoff of $700 is reported to the IRS. In addition, 25 percent of the proceeds are withheld for federal taxes if the payoff is 300-1 or more and exceeds $5,000.

The problem is that under the current language of the regulations, these thresholds for reporting and withholding are based on the faulty assumption that the bettor has made only a single winning $2 bet rather than being based on the size of his actual investment into the pool. If someone puts $24 into a trifecta partwheel wager that returns $744, he has actually gotten 30-1 on his investment into the pool but the IRS acts as if he has gotten at least 300-1.

Under the new regulations, your TOTAL investment in any pool made on the same ticket must return 300-1 and $600 or more for winnings to be reported and return 300-1 and exceed $5,000 for 25% of winnings to be withheld. So, that $24 trifecta partwheel reaches the reporting and withholding thresholds only if you receive 300-1 on the $24 play, not 300-1 on a theoretical lone $2 bet. Thus, that winning trifecta only becomes subject to reporting and withholding if it pays over 300-1 on $24, or $7,224.

**4. I still don’t get how people can win these bets and lose money due to withholding taxes.**

It’s crazy but it’s true. Let’s say someone puts $1000 into the pick-6 for five days in a row. He loses the first four days, then on Day 5 he hits for $6,000. He has made $1,000 for the week. But because the IRS withheld 25 percent of the $6,000 payoff ($1,500), the bettor now has only $4500 left from his original $5,000. He has won $1,000 for the week but under the existing rules, the IRS has withheld his entire $1,000 profit and another $500 to boot.

Under the new regulations, there would be no reporting or withholding unless his ENTIRE $1,000 daily investment returned 300-1, in this case over $300,000.

**5. So this is primarily going to help big bettors?**

No, it applies to all. Let’s say you play a $2 pick-4 partwheel that costs you a total of $16. Your threshold for tax reporting will increase from $602 to $4,816, and your withholding threshold increases from $5,002 to $5,016.

**6. What if I make a series of bets on the race. Will they all count towards the new 300-1 calculation on the amount of the wager?**

It depends. All bets into the same mutuel pool (e.g. exacta, trifecta, or pick 6 pool) will count towards the “cost of the wager” as long as those bets are placed on the same mutuel ticket when betting at a track/OTB or included as part of the same electronic record if betting through an ADW. If you make three different pick- 6 combinations that cost $40 apiece, and they all appear on the same ticket or electronic record, your “cost of the wager” will be $120, requiring a $36,000 payoff for reporting or withholding to kick in. If a bettor wants to place additional wagers in the same mutuel pool after already having purchased a ticket (e.g. by adding a fifth horse to a 4 horse trifecta box) and the bettor wants all of his bets into that same mutuel pool to count towards the “cost of the wager,” that bettor must cancel the first ticket and place the original and any additional wagers for that pool on a new ticket.

**7. Can I put through those three tickets in three different places or accounts?**

No. The wagers must be placed with the same entity (on track or ADW), in the same mutuel pool, during the same wagering session and on the same physical ticket or as part of the same electronic record to be accumulated for calculating the “cost of the wager.”

**8. What will be the financial impact of these changes to bettors?**

Bettors will now have their proceeds reported far less frequently, and see much less money withheld because the calculation of their winnings for reporting and withholding purposes now accurately reflects their total investment into a particular mutuel pool.

**9. What effect will this have on the industry?**

Putting money back into circulation will increase reinvestment and overall handle should grow sharply as a result. Ideally, this would lead to higher purses, bigger fields, and improved facilities for the sport.

**10. Why is the Government supporting this?**

In addition to righting a longtime historical wrong, government officials believe that the changes will reflect changes to today’s modern wagering strategies, and reduce unnecessary and burdensome filings. The regulations were promulgated in accordance with the Paperwork Reduction Act.

**11. When could this be implemented?**

There is a 90-day public-comment period that began on December 30, 2016. Once that comment period has lapsed, the Treasury Dept. and IRS can move forward with finalizing the new regulations. They could well be in place in time for this year’s Triple Crown races.

**12. What can I do to help?**

It would be extremely helpful for as many people as possible to post a comment to the Treasury Dept. urging it to support the new regulations. The NTRA has established a link at www.NTRA.com/Comment/. You can use its prepared text or write your own.