

United States Senate

WASHINGTON, DC 20510

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SPECIAL COMMITTEE ON AGING

June 3, 2015

John Koskinen, IRS Commissioner
Attn: CC: PA: LPD: PR (REG-132253-11)
Courier's Desk
Internal Revenue Service
1111 Constitution Ave, NW
Washington, DC 20224

Dear Mr. Koskinen:

As I stated in an April 3 letter to your office, I've heard from many of my constituents about their strong concerns over proposed regulations under section 6041, regarding the filing of information returns to report winnings from bingo, keno, and slot machine play (*IRS REG-132253-11*). As you know, Nevada is America's gaming capital and the overall industry supports approximately 1.7 million jobs in over 40 states.

As a member of the Senate Finance Committee, the committee with jurisdiction over tax-related matters, I know Nevadans need policies that will support, not burden, their livelihoods and recreational pursuits. I share my constituents' concerns about the effects of the proposed rules, in particular, for two areas: reducing the thresholds for information reporting purposes and mandating the use of electronic player tracking for information reporting purposes.

First, the preamble to the proposed rules requests comments on the feasibility of reducing the reporting thresholds to \$600 at a future time. Under current law, informational returns (W-2Gs) are required to be filed to report gambling winnings for players who have won \$1200 or more from bingo or slot machine play and \$1500 or more for keno, under section 6041. Though the pending proposed rules do not propose lowering the threshold at this time, future consideration of lowering the threshold is deeply concerning to the industry, the state and to myself. To date, over 13,000 gaming customers have signed a petition opposing any proposed reduction in the threshold. Constituents have also expressed to me how the reduced thresholds could result in an increase in labor costs (due to additional staffing needed to process reporting in a timely manner) and lost business revenue (from machine downtime to undertake tax reporting) to the gaming industry.

Further, the \$1200 threshold was originally adopted in 1977. If anything, the reporting threshold should be increased to account for inflation, not reduced. I urge the IRS to update this outdated number to a new threshold closer to \$5000 to reflect an accurate dollar amount in today's world adjusted for inflation.

Second, the proposed rules would require information reporting based on electronic player tracking. This is deeply concerning to my home state. Currently, player tracking is used as a

customer loyalty program through player loyalty cards, which allows customers to earn points that can be redeemed for such items as complimentary food, beverages and rooms. The potential technological and business process changes needed to implement the mandatory reporting, based on electronic player tracking, would likely require significant upgrades to a casino's technology and increase labor costs. Another key issue is whether these player's cards would be an accurate account of the activity for a person. Currently, a single card can be shared among family members, players use each other's cards, forget their card or have multiple cards. Any inadvertent use of another player's card could result in significant inaccuracies for reporting purposes.

Consideration, in my opinion, should be given to an alternative approach. Instead, both the casino and customer could voluntarily participate in the electronic player tracking process for Federal tax information reporting purposes.

Last, in our April 3 letter, we asked whether an annualized statement showing gross jackpot winnings and losses would be a more effective compliance tool than W-2Gs. In your May 29 response, you stated that it would not be a more effective compliance tool. Over 2 million taxpayers each year report their gambling winnings on W-2Gs, but these informational returns do not require the reporting of a player's gambling losses. Instead, taxpayers can offset their gambling winnings with their losses only if they itemize. With almost 70% of taxpayers taking the standard deduction and the majority of players in a net loss, we urge the IRS to conduct an in-depth review of entire reporting regime for W-2Gs. This review should consider the value of forms W-2G compared to other third party information returns and the administrative burden the system places on taxpayers, especially those players who have net losses for the year.

My staff have had multiple conversations with your office in regards to these proposed rules and I was pleased that we could discuss some of my concerns on a call June 1 and with you at a Senate Finance Hearing June 2. I strongly hope you consider my comments so that that stakeholders, such as the IRS, Nevada taxpayers and the gaming industry, are not irrevocably harmed. I greatly appreciate your consideration and look forward to working constructively with the IRS to address the concerns I have expressed in this letter. If you have any questions or would like any additional information, please contact Victoria Glover of our staff at 202-224-6880 (Victoria_Glover@heller.senate.gov.)

Sincerely,



DEAN HELLER
U.S. Senator