

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

STATE CAPITOL
300 S.W. TENTH AVENUE
TOPEKA, KS 66612
(785) 296-7689
nick.hoheisel@house.ks.gov



COMMITTEES:
FINANCIAL INSTITUTIONS & PENSIONS
TRANSPORTATION
TAXATION

NICK HOHEISEL
CHAIRMAN
97TH DISTRICT

Chairman Smith, Vice Chairman Bergkamp, Ranking Member Sawyer, and esteemed members of the Kansas House Tax Committee:

Thank you for your time and attention in considering House Bill No. 2219. This bill seeks to allow for individuals to deduct losses from wagering transactions, aligning with the specifications outlined in section 165(d) of the federal internal revenue code.

This was brought to my attention by a constituent who faced unexpected tax implications due to gambling winnings. In early 2023, while filing taxes, he discovered the inability to deduct any losses from his gambling income from sports betting on his state tax return. This scenario is not uncommon, as individuals engaging in various forms of gambling often find themselves in similar situations where they cannot offset their losses against their winnings for tax purposes.

For instance, consider a scenario where an individual plays a slot machine, losing \$100 during the session but with their last dollar of budgeted gambling money they win \$200 on the spin. Despite only making a \$100 profit, they are required to pay state taxes on the entire \$200 win. With the recent legalization of sports betting in Kansas, many taxpayers experienced similar unexpected tax liabilities on their winnings, leading to what can only be described as "sticker shock" during tax season.

The federal internal revenue code states that if a taxpayer itemizes deductions, the taxpayer can deduct gambling losses for that year, but only up to the amount of their winnings. The taxpayer cannot claim a net gambling loss. If you win at the slots one day and lose the next day, you must report the winnings on your tax return as income and then deduct the losses separately as an itemized deduction. If the taxpayer claims the standard deduction, then all the gambling winnings will be taxed, and the losses will be lost forever. The losses are not able to be carried forward to reduce taxation on future winnings.

It's important to note that Kansas previously allowed for the deduction of gambling losses from winnings until changes were made in 2014 as part of a broader tax plan enacted in 2012.

In conclusion, House Bill 2219 seeks to rectify this issue by reinstating the ability for individuals to deduct gambling losses from their winnings.

Thank you again for considering this legislation.

Sincerely,

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Rep. Nick Hoheisel

State Representative, 97th District