

Fantasy Sports

The Fantasy Sports Trade Association (FSTA.org) estimates that approximately 56.8 million people (USA and Canada) played fantasy sports in 2015 (an increase of 36% from 2014).

What is Fantasy Sports?

Fantasy sports and gambling are NOT the same when it comes to your taxes.

Fantasy sports is a skill game that involves picking individual players (or groups of players). Your winnings are dependent on the performance of the selected players.

Sports gambling involves making a wager on the outcome of a particular sporting event.

Examples of fantasy sports:

- Entering contests on websites like FanDuel.com and DraftKings.com
- Participating in fantasy leagues (including but not limited to fantasy football leagues)

Examples of what is NOT fantasy sports

- Wagering on the outcome of sporting events.
- Participating in “pick-em” leagues in which you predict the winner/loser of sporting event(s).

Keep Separate Records

Because fantasy sports and gambling are treated differently for tax purposes you must keep SEPARATE records. For fantasy sports specifically you should keep track of all winnings and expenses (including entry fees).

Report your Winnings & Expenses

Taxpayers must report gross receipts of their fantasy sports winnings regardless of the dollar amount. This is true even if you never receive documentation (e.g. 1099-misc documents). Taxpayers are also allowed to report their fantasy sports expenses (see below for details).

Hobby vs. Professional?

If you engage in fantasy sports full time (for a living) you can report your expenses as a business. However, the vast majority of taxpayers will report their expenses as a “hobby”. There are specific rules and limitations for reporting “hobby” expenses (such as having to report them as Miscellaneous Itemized Deductions and not being able to report expenses in excess of hobby income). Seek professional help to report expenses correctly.

What about the Future?

There are a few lawsuits that could change the future of how fantasy sports are treated legally (and for tax purposes). Some states are claiming that fantasy sports are gambling. If these court cases prevail then the rules mentioned above may change. Furthermore, the IRS has not formally issued specific guidance on the reporting of fantasy sports income and expenses.

