

Tax on Wagering (Section 4401 of the Internal Revenue Code)

1 Gross amount of wagers accepted during month (not including lay-offs accepted) . . . 2 Gross amount of lay-off wagers accepted during month (See instruction 3) . . . 3 Sum of items 1 and 2 4 Tax (2 percent of item 3) 5 Credits. (No credit allowed unless supported by evidence. See instruction 4(a) and (b)) . 6 Net tax due (item 4 less item 5)	\$ (—) \$	For month of 19.....	Employer identification number 	For IRS Use Only T \$ FF FP I T \$
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Your name and address in space below

Under the penalties of perjury, I declare that this return (including any accompanying certificates and statements) has been examined by me and to the best of my knowledge and belief it is true, correct, and complete.

Signature Date

Title (Owner, etc.)

ORIGINAL.—File this return (with your payment) with Internal Revenue Service Center. Include your employer identification or social security number on your check or money order.

If your business records are not available at the address shown above, enter address where records are maintained.

.....
 (Number and street) (City) (State) (ZIP code)
 218-301-1

Instructions

(For full instructions see Regulations.)

1. Law.—The Internal Revenue Code imposes a tax upon wagers as follows:

Section 4401(a). Wagers.—There shall be imposed on wagers, as defined in section 4421, an excise tax equal to 2 percent of the amount thereof.

Section 4421. Definitions.—For the purposes of this chapter:

(1) The term "wager" means (A) any wager with respect to a sports event or a contest placed with a person engaged in the business of accepting such wagers, (B) any wager placed in a wagering pool with respect to a sports event or a contest, if such pool is conducted for profit, and (C) any wager placed in a lottery conducted for profit.

(2) The term "lottery" includes the numbers game, policy, and similar types of wagering. The term does not include (A) any game of a type in which usually (i) the wagers are placed, (ii) the winners are determined, and (iii) the distribution of prizes or other property is made, in the presence of all persons placing wagers in such game, and (B) any drawing conducted by an organization exempt from tax under sections 501 and 521, if no part of the net proceeds derived from such drawing inures to the benefit of any private shareholder or individual.

Section 4401(b). Amount of wager.—In determining the amount of any wager for the purposes of this subchapter, all charges incident to the placing of such wager shall be included; except that if the taxpayer establishes, in accordance with regulations prescribed by the Secretary or a dele-

gate, that an amount equal to the tax imposed by this subchapter has been collected as a separate charge from the person placing such wager, the amount so collected shall be excluded.

Section 4401(c). Persons liable for tax.—Each person who is engaged in the business of accepting wagers shall be liable for and shall pay the tax under this subchapter on all wagers accepted. Each person who conducts any wagering pool or lottery shall be liable for and shall pay the tax under this subchapter on all wagers placed in such pool or lottery.

Section 4402. Exemptions.—No tax shall be imposed by this subchapter (1) on any wager placed with, or on any wager placed in a wagering pool conducted by, a parimutual wagering enterprise licensed under State law, and (2) on any wager placed in a coin-operated device with respect to which an occupational tax is imposed by section 4461 or (3) on any wager placed in a sweepstakes, wagering pool, or lottery conducted by an agency of a State, but only if such wager is placed with the State agency or its authorized agents or employees.

Section 4404. Territorial extent.—The tax imposed by this subchapter shall apply only to wagers (1) accepted in the United States, or (2) placed by a person who is in the United States (A) with a person who is a citizen or resident of the United States, or (B) in a wagering pool or lottery conducted by a person who is a citizen or resident of the United States.

2. Returns and Payment of Tax.—All taxes are due and payable without notice at the time fixed for filing the return. You must file your return, with remittance, reporting the tax due under section 4401 for any calendar month, on or before the last day of the following month. However, authority may be granted under the law to require the immediate filing of a return and payment of the tax, when such action becomes necessary. File your returns with the appropriate Internal Revenue Service Center for the State in which your office or principal place of business is located (or, if you have no office or principal place of business in the United States, but are a resident of the United States, file with the Service Center serving the State of which you are a resident). If you have no office, residence, or principal place of business in the United States, file your returns with Internal Revenue Service Center, 11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155.

3. Lay-off Wagers.—If you accept a lay-off wager from another taxpayer, you must report such amount in item 2 of the return and retain a copy of the certificate furnished the taxpayer making the lay-off wager.

4. Credits.—(a) **Overpayments.**—If you overpay the tax due with one monthly return, you may take credit for the overpayment against the tax due with any subsequent monthly return. If a credit is taken, a statement fully explaining the

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4 Tax (2 percent of item 3)				FP
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6 Net tax due (item 4 less item 5)	\$			T \$

Your name and address in space below

YOUR COPY

Important.—Return with remittance should be sent to your Internal Revenue Service Center and **NOT** to the Commissioner of Internal Revenue at Washington, D.C. Checks or money orders should be made payable to the Internal Revenue Service. (See instructions, par. 2, on reverse of form.) If you have nothing to report, make notation to that effect on this form and return it to your Internal Revenue Service Center. If final return is filed, the return should be marked "FINAL RETURN."

This copy should be carefully preserved at your place of business as a part of your records, and should at all times be available for inspection by officers of the Internal Revenue Service. See paragraph "Records" under instructions.

DUPLICATE RETURN.—Keep this copy for your records.

Instructions (continued)

reason such credit is claimed must be attached to the return. This statement should also show whether any previous claim for credit or refund covering the amount involved, or any part thereof, has been filed; and should list each amount making up the total of the credit, monthly return on which reported, date of payment and, if the tax was paid with respect to more than 1 month, the exact amount of the credit chargeable to each month. You must keep a complete and detailed record of all credits for a period of at least 3 years from the date the credit was taken. No credit shall be allowed (except as provided in the succeeding paragraph), whether in pursuance of a court decision or otherwise, unless you establish (1) that you have not collected the tax either as a separate charge or as part of the wager with respect to which it was imposed, or (2) that you have repaid the amount of the tax to the person making the wager or you have secured the written consent of such person to the allowance of the credit. If the credit relates to overpayment of tax with respect to a laid-off wager, you must also establish that the tax was not collected by any person, and if collected, that the tax has been refunded to the person who placed the wager originally, or that you have secured the written consent of such person to the allowance of the claim.

(b) *Lay-off credits.*—Under section 6419(b) you may be allowed a credit for tax paid by you or tax due with respect to any wager, if such wager was laid-off with another taxpayer who is liable for tax with respect to such laid-off wager. If such a credit is taken, you must attach to the return a statement fully explaining the reason such credit is claimed. This statement should also show whether any previous claim for credit or refund covering the amount involved, or any part thereof, has been filed; and should list each amount making up the total of the credit, monthly return on which reported, date of payment and, if the tax was paid with respect to more than 1 month, the exact amount of the credit chargeable to each month. In addition, there must be attached to the return certificates in the form prescribed in section 44.6419-2 of the Regulations. You must keep a complete and detailed record of all credits for a period of at least 3 years from the date the credit was taken. No interest is to be allowed with respect to any such credit.

A claim for refund (Form 843) may be filed in any case where a credit may be taken. If claim for refund is filed, the evidence required in the case of a credit must be submitted with the claim for refund.

5. Records.—Records shall contain sufficient information to enable the Commissioner to determine the taxability of the transactions and the amount of tax due, and shall at all times be open

to the inspection of internal revenue officers. Such records, including duplicate copies of returns, shall be kept for a period of at least 3 years from the date the tax is due.

6. Penalties and Interest.—Failure to file on time: 5 percent of the tax if the failure is for not more than 1 month, with an additional 5 percent for each additional month or fraction thereof during which the delinquency continues, not to exceed 25 percent in the aggregate. Failure to pay on or before the last day prescribed for payment: penalty on the amount of tax at the rate of $\frac{1}{2}$ of 1 percent for each month or part of a month the tax remains unpaid, and interest shall be paid for the period from the due date to the date paid. Severe penalties for willful failure to pay tax, keep records, file returns, or for false or fraudulent returns are imposed by the Internal Revenue Code.

7. Disclosure of Wagering Tax Information.—No Treasury Department official or employee may disclose, except in connection with the administration or enforcement of Internal Revenue taxes, any document or record supplied by a taxpayer in connection with such taxes, or any information obtained through any such documents or records. Additionally, certain documents related to the wagering taxes, and information obtained through such documents, may not be used against the taxpayer in any criminal proceeding, except in connection with the administration or enforcement of Internal Revenue taxes. See section 4424 for more detailed information.