



HOUSE BILL 14: Gambling Losses Tax Deduction.

2025-2026 General Assembly

Committee: House Commerce and Economic Development. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House **Date:** February 25, 2025

Introduced by: Reps. Paré, Tyson, Kidwell, Winslow **Prepared by:** Greg Roney

Analysis of: First Edition **Staff Attorney**

OVERVIEW: *House Bill 14 would allow an itemized deduction from State taxable income for nonprofessional gambling losses.*

CURRENT LAW: The calculation of State taxable income for individual taxpayers starts with federal adjusted gross income (AGI). Federal AGI includes income from all sources (including gambling winnings). Professional gamblers can deduct gambling losses as a business expense to the extent of winnings for federal and State taxes.

Nonprofessional gamblers cannot deduct losses as a business expense and must take an itemized deduction if available. Both federal and State tax systems require an individual taxpayer to elect the standard deduction or itemized deductions. The federal tax system offers many itemized deductions including a deduction for nonprofessional gambling losses to the extent of winnings.

The current State tax system under G.S. 105-153.5(a)(2) has 4 primary itemized deductions: charitable contributions, mortgage expense, property taxes, and medical/dental expense. Under former G.S. 105-134.6(a2) which was repealed effective January 1, 2014, the State allowed all federal itemized deductions.

In sum, the federal system allows an itemized deduction for nonprofessional gambling losses to the extent of winnings, but the State does not currently allow this deduction.

BILL ANALYSIS: House Bill 14 would allow an itemized deduction from State taxable income for nonprofessional gambling losses. House Bill 14 follows the requirements of section 165(d) of the federal Internal Revenue Code. Section 165(d) limits the deduction to the winnings from gambling. Therefore, a taxpayer cannot use gambling losses to offset other income.

EFFECTIVE DATE: House Bill 14 would apply for the 2024 tax year and following years.

BACKGROUND: The table below summarizes the current treatment of gambling income and losses for tax purposes:

| | Federal Taxation | State Taxation |
|---------------------------------------|--|--|
| Professional Gambling Winnings | Taxable | Taxable |
| Professional Gambling Losses | Deductible as a business expense to extent of winnings | Deductible as a business expense to extent of winnings |

Kara McCraw
Director



Legislative Analysis
Division
919-733-2578

House Bill 14

Page 2

| | | |
|--|--|----------------|
| Nonprofessional Gambling Winnings | Taxable | Taxable |
| Nonprofessional Gambling Losses | Deductible as itemized deduction to extent of winnings | Not deductible |