



HOUSE BILL 14: Gambling Loss Tax Deduct, NC Sound Money Act.

2025-2026 General Assembly

Committee:
Introduced by: Reps. Paré, Tyson, Kidwell, Winslow
Analysis of: Second Edition

Date: June 25, 2025
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OVERVIEW: *House Bill 14 would:*

- *Allow an itemized deduction from State taxable income for nonprofessional gambling losses.*
- *Allow a personal income tax deduction at the State level for transactions using investment coins and investment metal bullion as a form of payment.*
- *Define legal tender in the State to be investment coins and investment metal bullion that are gold or silver and marked with weight and purity. However, the bill specifically does not require the acceptance of this legal tender as a payment method.*

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. Therefore, income includes gambling winnings and any gain from appreciation when a person uses a valuable coin to make a payment.

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 Under former G.S. 105-134.6(a2) which was repealed effective January 1, 2014, the State allowed all federal itemized deductions.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.

Article 1, Section 8, of the US Constitution states: "The Congress shall have Power ... To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures;"

Article I, Section 10, of the US Constitution states: "No State shall ... coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts;"

The US Congress enacted 31 USC 5103 which states: "United States coins and currency (including Federal reserve notes and circulating notes of Federal reserve banks and national banks) are legal tender for all debts, public charges, taxes, and dues. Foreign gold or silver coins are not legal tender for debts."

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

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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.

House Bill 14 would also remove the personal income tax impact of using coins and bullion to make payments. Under current law, a person would recognize any appreciation in the value of the coin as a taxable event.

This tax benefit applies to the following:

- Investment coins defined as numismatic coins manufactured of metal under the laws of the United States or any foreign nation with a fair market value greater than the marked value of the coin.
- Investment metal bullion defined as refined elementary precious metal with a value based on its content, excluding fabricated precious metal that has been processed or manufactured for one or more specific and customary industrial, professional, or artistic uses.

Finally, House Bill 14 would define certain investment coins and investment metal bullion as legal tender. To be legal tender, the coins and bullion must be gold or silver and marked with weight and purity. However, House Bill 14 specifically does not require the acceptance of this legal tender as a payment method.

EFFECTIVE DATE: The gambling loss deduction would apply for the 2024 tax year and following years. The tax deduction for gain on the use of coins and bullion would apply for the 2025 tax year and following years. The definition of legal tender would become effective October 1, 2025.

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