Op-Ed/Editorials – Celebrity Poker and Taxes

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Successful actors, writers and others in the entertainment industry share some advantages with professional gamblers when they play poker.

With success often comes self-confidence, or at least the ability to project an image of being a winner, in control. Celebrities are often rich. They can think of poker chips as poker chips, and not as the cost of their dinners.

The knack for thinking of $100 chips as merely "units" or "blacks" is essential for taking the emotion out of poker.

Famous people can also rattle others by their mere presence. A professional actor can be as intimidating at the table as a professional poker player.

But one unique advantage entertainment industry types share with pro players is financial. They can take their travel and other gaming-related expenses off their taxes. And they may even be able to deduct their gambling losses beyond their winnings.

If you are in the top tax bracket and live in a high-tax state like California, you have to give the state and federal governments 45 cents of every additional dollar you report.

But if it cost you a dollar in ordinary and necessary business expenses to earn or win that extra dollar, and you are in the trade or profession of gaming, you get to keep 100% of your winnings.

Imagine it is December 31st and you are in a poker game. You already know you

are going to have to pay a lot in taxes for the successful year you have had so far. So, if you win $1,000 in this game, you are going to get to keep only $550 of it. The other $450 goes to the state and federal governments to do whatever it is they do with our money.

(Yes, I know not everyone reports their poker winnings. But they're supposed to, so stick with me so I can make my point).

Regular players will have to write two checks on April 15 totaling $450. But, and this is a wonderful but, if it cost you $1,000 to get to this game and it is necessary for your business to play, you pay nothing. You report the $1,000 winnings but then deduct the $1,000 in expenses. (You actually may not break even, since the poker winnings and expenses are reported on different parts of your income tax form.)

Only those who play poker for a living can deduct these expenses. But this includes actors who are paid to play poker in a screenplay.

Besides expenses, there is the question of lost bets. Everyone can deduct losses up to the amount of their winnings. If you won $10,000 at the track during the year, you can deduct up to $10,000 in losses from poker, but no more.

But a person who needs to learn how to play a poker player for a film role has to play in real games first. So he or she may be able to deduct, say, $15,000 or $20,000 or more in poker losses.

Professional players have to show that poker is nearly a full-time job and that they are in a game with a reasonable expectation that they will make money.

It is possible that celebrities can deduct their poker expenses and losses even if they don't expect to take home poker pots. Actors usually do not keep the money they win on celebrity poker tournaments. But isn't it important that they show their faces on TV and, most importantly, that they don't make complete fools of themselves?

I don't think any court would deny an actor a deduction for the cost of a poker coach in this situation. Why should it make any difference if the celebrity learns his lessons in a tutoring session or in a live game?

What do you think? Comments on this article can be addressed to Prof. I. Nelson

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