

## **IRS Issue: Gaming Industry Vigilance Helps Correct a Possible Mistake**

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The casino industry overwhelmingly voiced its displeasure last year when the U.S. Internal Revenue Service (IRS) suggested that slot machine jackpot reporting requirements be lowered from \$1,200 to \$600.

Gaming leaders from the 40 states that are home to land-based casinos, riverboat casinos, race track casinos, and Indian casinos, said reducing the jackpot levels would create an unnecessary burden on the businesses and customers.

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The IRS may have listened.

In April 2015, American Gaming Association CEO Geoff Freeman told a group of casino leaders at a meeting in Pittsburgh that the IRS had seemingly backed away from the proposed changes.

While many in the gaming industry are hoping that is true, we are still awaiting a definitive resolution. The IRS has been radio silent on the matter since June 2015 when it hosted a public hearing in Washington D.C. to gauge response to the idea.

The American Gaming Association came out strongly against the IRS's proposed changes as soon as the news was announced. The organization gathered background information and sought input from its membership. Freeman and other gaming leaders even testified in opposition at the public hearing.

Under current rules, when a player wins \$1,200 or more on a slot machine, the game locks up and cannot be played while the customer is required to fill out a W2-G form in order to report the winnings to the IRS. The process often takes anywhere from 10 minutes to a half-hour.

The gaming industry was concerned that lowering the reporting levels to \$600 would increase the number of reports that would have to be filled out by customers. The activity would be time consuming for both casino employees and customers. One Wall Street gaming analyst estimated the lost time on the machines necessary to fulfill the new reporting rules could cost casinos more than \$500,000 in lost revenue. Longer down time from slot machine play means less revenue for the casinos and a reduction in tax dollars for state and local governments.

The IRS first enacted the \$1,200 reporting threshold for slot machines, table games, and keno in 1977. At that time, the only legal gambling options in the U.S. existed in Nevada with casinos and parimutuel racing.

Much has changed. In today's ever-expanding gaming world, where casinos offer customers state-of-the-art slot machines that utilize cashless gaming technology, a jackpot of \$600 happens on a far more frequent basis.

Many casino customers, in protesting the IRS proposal, suggested the jackpot reporting limits be raised to reflect inflation. Seniors worried their Medicare premiums would increase because their adjusted gross income would rise based on the figures compiled through additional jackpot reporting forms.

Freeman told CDC Gaming Reports in April that the casino industry spoke "with one voice" in opposition to the IRS proposal.

This matter goes to show how gaming, or any industry, can face risk from misunderstanding by the public or a government agency.

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