One Big Beautiful Bill: Sports Betters and Gamblers Might Disagree

Jul 11, 2025

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The One Big Beautiful Bill, signed by President Donald Trump on July 4, contains a new development that many onlookers didn't notice until after the fact. One key provision, hidden away in this monumental 900-plus-page bill, could have major consequences for gamblers.

Obscurely placed in Section 70114, the new law removes the ability for gamblers to deduct 100% of their losses from their winnings from their income taxes. Starting January 1, 2026, gamblers will only be able to deduct *90% of their losses*.[1]

While the 10% drop might not seem substantial, industry experts, sports betters and gamblers are ringing the alarm bells, saying this could severely impact gambling profits and cause—in some cases—gamblers to owe tax despite losing more than winning in a given year.

Professional gamblers and recreational players alike will feel the burn of this 10% by paying tax on 10% of "phantom income."[2] As an example, a gambler who wins $200,000 and loses $200,000 will still owe tax on $20,000 of phantom income because only $180,000 of the losses are deductible under this new provision. Of course, this "phantom" 10% loss number continues to rise as the stakes get bigger. Even if gamblers make a profit, the "phantom" income still haunts as gamblers are no longer just paying tax on the gain (profit) they make, but are also paying tax on the gain *and* the 10% in loss not covered by the provision.[3] To further illustrate, a gambler who makes $2.8 million in winnings and has losses totaling $2 million will now owe tax on $1 million ($800,000 of gain earned + $200,000 of "phantom income"), a huge amount that could very well cripple industry players and amateurs.

States will likely need to prepare for the impact this provision will have on reporting losses on individual income tax returns while also working with gambling operators to institute changes. Currently, at the federal level, gamblers are issued a Form W-2G when their winnings *exceed* $600. Much of this will have to be addressed as

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the new law goes into effect January 1st of next year.

So, what is in it for the government and why the change? Sports betting in the country has increased from $0.9 billion annually in 2019 to $10.9 billion in 2023, and it came in at $13.71 billion in 2024. Growth has been phenomenal year over year. The Congressional Budget Office estimates that this provision of the bill will generate more than $1 billion over the next 10 years for the federal government.[4] And when the music stops, it's the gamblers who are footing the bill this time around.

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[1] H.R. 1, 119th Cong. § 70114 (2025).

[2] Id.

[3] Id.

[4] *See* Estimated Budgetary Effects of an Amendment in the Nature of a Substitute to H.R.1, Congressional Budget Office, *available at* https://www.cbo.gov/publication/61533 (last visited July 10, 2025).

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The One Big Beautiful Bill Act stands to fundamentally reshape the fiscal landscape across key sectors, introducing both immediate compliance challenges and long-term planning imperatives for businesses. This collection of articles sheds light on the OBBBA's key components to help you better understand and prepare for the changes ahead while taking advantage of the new tools (and tradeoffs) offered by the OBBBA.

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