Practice Question

Grandma is an elderly widower from Green Bay, Wisconsin, who travels to Las Vegas once per year to play slot machines with her friends. Each year, she brings a total of $500 cash, and she limits herself to $500 of total (economic) losses and then stops gambling. In 2019, Grandma came to Las Vegas for New Year's Eve. This was the only time that she gambled in the year 2019. Grandma receives social security and some investment income, so she files annual federal income tax returns. However, she has no mortgage, and her total itemized deductions are approximately $3,800.

	December 29, 2019	December 30, 2019	December 31, 2019
Money cashed-in	$100	$400	$600
Money cashed-out	$400	$200	$0

1) How are Grandma's Wins & Losses aggregated?

2) How much money that Grandma brought to Las Vegas did Grandma actually "lose" (forgetting about taxes)?

3) What is Grandma's taxable income from gaming in year 2019?

4) What is Grandma's taxable loss from gaming in year 2019?

5) Can Grandma actually take her gaming loss on her federal tax return?

6) Even if Grandma cannot take her loss, does Grandma still have to pay tax on her gaming income?

7) What if Grandma was a professional gambler? Could she take her losses then?

8) Can Grandma deduct the cost of her hotel room and travel expenses? What if she is a professional gambler?