



Excise Tax Division
North Carolina Department of Revenue
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FREQUENTLY ASKED QUESTIONS REGARDING THE EXCISE TAX ON INTERACTIVE SPORTS WAGERING OPERATORS AND WINNINGS AND LOSSES FOR INCOME TAX PURPOSES¹

Summary

The frequently asked questions and responses covered in this document are the following:

Frequently Asked Questions – The Excise Tax on Interactive Sports Wagering Operators

- Question 1: After obtaining a license, what does an interactive sports wagering operator need to do to comply with the North Carolina Department of Revenue and Article 2E of the North Carolina General Statutes?
- Question 2: Is an interactive sports wagering operator required to obtain a bond or an irrevocable letter of credit?
- Question 3: Where can an interactive sports wagering operator obtain the bond form or the irrevocable letter of credit template?
- Question 4: What return must an interactive sports wagering operator file with the Department and when must it be filed?
- Question 5: How does an interactive sports wagering operator file a return?
- Question 6: How does an interactive sports wagering operator pay the excise tax?
- Question 7: What if an interactive sports wagering operator made a mistake on the return after its filed with the Department?
- Question 8: What if an interactive sports wagering operator does not show a positive gross wagering revenue?
- Question 9: What if an interactive sports wagering operator refunds a sports wager?

¹ This document has been amended and supersedes any information previously provided.

- Question 10: What happens if an interactive sports wagering operator fails to: (1) register; (2) file a bond or irrevocable letter of credit of credit; (3) file a return; (4) pay the excise tax; or (5) otherwise comply with Article 2E?
- Question 11: Is an interactive sports wagering operator required to withhold North Carolina income tax from a registered player’s winnings?
- Question 12: When should amounts received by the interactive sports wagering operator from wagers be reported on an excise tax return? Should the amounts be reported when received by the operator or when the wager is settled?
- Question 13: Are promotional offers included in gross wagering revenue?
- Question 14: If the amounts received from a wager are later determined to be invalid, must the interactive sports wagering operator include those amounts as received for determining gross wagering revenue?

Frequently Asked Questions – Winnings and Losses for Income Tax Purposes

- Question 15: Are registered player’s gambling winnings subject to North Carolina income tax?
- Question 16: If a registered player did not receive a federal Form W-2G reporting gambling winnings, are the gambling winnings subject to North Carolina income tax?
- Question 17: Can a registered player deduct gambling losses when calculating North Carolina taxable income?
- Question 18: I have additional questions related to gambling winnings and North Carolina income tax. Who do I contact?

Questions (Q) & Answers (A)

Frequently Asked Questions – The Excise Tax on Interactive Sports Wagering Operators

Q1:	After obtaining a license, what does an interactive sports wagering operator need to do to comply with the North Carolina Department of Revenue and Article 2E of the North Carolina General Statutes?
A1:	<p>An interactive sports wagering operator must register with the North Carolina Department of Revenue by electronically filing Form S-W-100, Interactive Sports Wagering Registration Form. After Form S-W-100 is filed, the interactive sports wagering operator will receive additional information from the Department regarding compliance with Article 2E.</p> <p>The interactive sports wagering operator may file Form S-W-100 by accessing the Department’s website at the following address: www.ncdor.gov/sports-wagering-</p>

	<p>tax-forms-and-instructions. The form can be completed by clicking “File Online” located under the “Registration and Other Forms” tab. Alternatively, the interactive sports wagering operator may directly access and file Form S-W-100 through the following link: Form S-W-100.</p>
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Q2:	Is an interactive sports wagering operator required to obtain a bond or an irrevocable letter of credit?
A2:	Yes. The Secretary will require all interactive sports wagering operators to obtain a bond or irrevocable letter of credit.

Q3:	Where can an interactive sports wagering operator obtain the bond form or the irrevocable letter of credit template?
A3:	<p>After an interactive sports wagering operator files Form S-W-100 to register with the Department, the interactive sports wagering operator will receive a letter from the Department, which will include instructions on completing the bond (Form S-W-200, Interactive Sports Wagering Surety Bond) or the irrevocable letter of credit. Neither the bond nor the irrevocable letter of credit can be completed electronically. The interactive sports wagering operator may obtain the bond form and irrevocable letter of credit template by accessing the Department’s website at the following address: www.ncdor.gov/sports-wagering-tax-forms-and-instructions. The form and template can be located under the “Bond Forms” tab. Alternatively, the interactive sports wagering operator may directly access these documents at the following addresses:</p> <p>Bond Form (Form S-W-200): https://www.ncdor.gov/s-w-200-interactive-sports-wagering-surety-bond</p> <p>Irrevocable Letter of Credit Template: https://www.ncdor.gov/tax-forms/irrevocable-letter-credit-template/open</p>

Q4:	What return must an interactive sports wagering operator file with the Department and when must it be filed?
A4:	<p>An interactive sports wagering operator must electronically file the following return and associated forms:</p> <ul style="list-style-type: none"> • Form S-W-101, Interactive Sports Wagering Operator Return • If applicable, Form S-W-101CF, Carryforward Amount <p>The above forms are due on the 20th day of the month following the calendar month covered by the return.</p>

Q5:	How does an interactive sports wagering operator file a return?
A5:	<p>An interactive sports wagering operator must electronically file Form S-W-101 and, if applicable, Form S-W-101CF as described below.</p> <p><u>Form S-W-101, Interactive Sports Wagering Operator Return</u></p> <p>The interactive sports wagering operator may file Form S-W-101 by accessing the Department’s website at the following address: www.ncdor.gov/sports-wagering-tax-forms-and-instructions. The form can be completed by clicking “File Online” located under the “Return & Payment Voucher” tab. Alternatively, the interactive sports wagering operator may directly access and file Form S-W-101 through the following link: Form S-W-101.</p> <p><u>Form S-W-101CF, Carryforward Amount</u></p> <p>For each month that a carryforward is claimed by the interactive sports wagering operator, the operator must upload Form S-W-101CF when completing Form S-W-101. The interactive sports wagering operator may obtain Form S-W-101CF by accessing the Department’s website at the following address: www.ncdor.gov/sports-wagering-tax-forms-and-instructions.</p>

Q6:	How does an interactive sports wagering operator pay the excise tax?
A6:	<p>The interactive sports wagering operator may pay the excise tax by: (1) wire transfer; or (2) check or money order.</p> <p><u>Wire Transfer</u></p> <p>An interactive sports wagering operator may pay tax due through a wire transfer in the form of US currency. The wire transfer information can be obtained by calling the Excise Tax Division.</p> <p>The OBI (Originator to Beneficiary Information) Field must contain certain information for the Department to process the payment. For tax due on a return, the OBI must include “Sports Wagering [Return Month/Year].” For tax due in response to a notice, the OBI must include “Sports Wagering [Notice Number].”</p> <p><u>Check or Money Order</u></p> <p>Check or money orders must be in the form of US currency from a domestic bank and payable to the NC Department of Revenue. The interactive sports wagering operator must also complete Form S-W-101V, Interactive Sports Wagering Voucher</p>

	<p>and send it along with the payment. The payment and voucher must be mailed to the following address:</p> <p>North Carolina Department of Revenue Excise Tax Division – ATTN: Financial Unit 3301 Terminal Drive Suite 125 Raleigh, North Carolina 27604</p> <p>The interactive sports wagering operator may obtain the voucher by accessing the Department’s website at the following address: www.ncdor.gov/sports-wagering-tax-forms-and-instructions. The form can be located under the “Return & Payment Voucher” tab. Alternatively, the interactive sports wagering operator may directly access the voucher at the following address: https://www.ncdor.gov/s-w-101v-interactive-sports-wagering-operator-payment-voucher</p>
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Q7:	What if an interactive sports wagering operator made a mistake on the return after it’s filed with the Department?
A7:	<p>Prior period adjustments are not allowed on current returns. If an interactive sports wagering operator must amend a previously filed Interactive Sports Wagering Operator Return, an interactive sports wagering operator must complete another online Form S-W-101, Interactive Sports Wagering Operator Return showing the entire return information for the amended period. Do not file the form only showing the amended adjustments. The interactive sports wagering operator must also mark the return as amended by designating the return as an amended return.</p> <p>If the interactive sports wagering operator owes additional tax, the operator must remit payment to the Department in accordance with Q/A #6.</p>

Q8:	What if an interactive sports wagering operator does not show a positive gross wagering revenue?
A8:	<p>If the amount of the gross wagering revenue is a negative number for any month, the interactive sports wagering operator may carry forward the negative amount to the return filed for the subsequent month. No amount may be carried forward more than 12 months after the month in which the amount carried forward was determined.</p>

Q9:	What if an interactive sports wagering operator refunds a sports wager?
A9:	<p>An interactive sports wagering operator may request a refund through a credit on the return for the amount refunded. If an operator refunds the sports wager in the same month the operator received revenue from the sports wager, the operator</p>

Q9:	What if an interactive sports wagering operator refunds a sports wager?
	may deduct the amounts refunded on Lines 1 and 2 on Form S-W-101. If the refund is issued after the month the operator received revenue from the sports wager, the operator may deduct the amounts refunded on a subsequent monthly return. The interactive sports wagering operator must include all documentation regarding the refund. The refund request must be submitted within the statute of limitations as provided in N.C. Gen. Stat. § 105-241.6.

Q10:	What happens if an interactive sports wagering operator fails to: (1) register; (2) file a bond or irrevocable letter of credit; (3) file a return; (4) pay the excise tax; or (5) otherwise comply with Article 2E?
A10:	The Department will refer an interactive sports wagering operator's violations of Article 2E of Chapter 105 of the North Carolina General Statutes to the Lottery Commission. The Lottery Commission may revoke the license or deny license renewal due to these violations.

Q11:	Is an interactive sports wagering operator required to withhold North Carolina income tax from a registered player's winnings?
A11:	No, an operator is not required to withholding North Carolina income tax from winnings.

Q12:	When should amounts received by the interactive sports wagering operator from wagers be reported on an excise tax return? Should the amounts be reported when received by the operator or when the wager is settled?
A12:	The interactive sports wagering operator must report all money or cash equivalent amounts received from sports wagers for the month the interactive sports wager operator received the amounts. Therefore, the total wagering revenue used to calculate gross wagering revenue <i>is not</i> determined after the sports wager is settled.

Q13:	Are promotional offers included in gross wagering revenue?
A13:	Yes, promotional offers are included in determining gross wagering revenue. They must be separately reported on Line 2 of Form S-W-101.

Q14:	If the amounts received from a wager are later determined to be invalid, must the interactive sports wagering operator include those amounts as received for determining gross wagering revenue?
A14:	Yes, even if the amounts wagers are later determined to be invalid, the amounts must be included in determining gross wagering revenue.

Frequently Asked Questions – Winnings and Losses for Income Tax Purposes

Q15:	Are registered player’s gambling winnings subject to North Carolina income tax?
A15:	Yes. The starting point for determining an individual’s North Carolina taxable income is federal adjusted gross income (“AGI”). To the extent that gambling winnings are included in a registered player’s federal AGI, the income is taxed by North Carolina. For additional information about gambling winnings, see IRS Topic no. 419, Gambling income and losses .

Q16:	If a registered player did not receive a federal Form W-2G reporting gambling winnings, are the gambling winnings subject to North Carolina income tax?
A16:	Yes. Because under federal law all gambling winnings are considered gross income, a registered player must include all winnings in the calculation of North Carolina taxable income, including any winnings not reported on a Form W-2G. For additional information about gambling winnings, see IRS Topic no. 419, Gambling income and losses .

Q17:	Can a registered player deduct gambling losses when calculating North Carolina taxable income?
A17:	No. For federal income tax purposes, a registered player may deduct gambling losses as an itemized deduction on federal Form 1040 Schedule A. North Carolina itemized deductions are not identical to federal itemized deductions and are limited to the deductions provided under G.S. 105-153.5(a)(2). Gambling losses are not included in the list of allowable North Carolina itemized deductions.

Q18:	I have additional questions related to gambling winnings and North Carolina income tax. Who do I contact?
A18:	For additional information about gambling winnings and North Carolina income tax, you may call the North Carolina Department of Revenue Customer Service line at 1-877-252-3052 (7:00 am until 4:30 pm EDT, Monday through Friday), or write to Customer Service, PO Box 1168, Raleigh, NC 27602-1168.

Assistance and Advisement

All non-income tax related questions regarding this document may be directed to the Excise Tax Division at telephone number (919) 707-7500 or toll free (877) 308-9092.

To the extent there is any change in the rate or amount of tax, change to a statute or regulation, or new case law after the date of this document, the provisions in this notice may be superseded or voided. If a written response would require the Department to interpret the law in a manner not specifically addressed in a statute, regulation, or Departmental or IRS publication, the person

requesting the written response must follow the procedure (and pay the required fee) for requesting a private letter ruling available on the Department's website at the following address: <https://www.ncdor.gov/documents/nc-481-request-written-determination>.