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## How Will the IRS Catch Unreported Offshore Online Poker Income

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As H.R. 1174, the Internet Gambling Regulation, Consumer Protection & Enforcement Act moves through the House of Representatives and legislation again makes it way through the Senate, poker players who play and have won money on line, but not reported their winnings on their tax returns should give serious thought to coming clean now, before the [IRS](#) finds them. You may have until August 31 to take advantage of the current Offshore Voluntary Disclosure Initiative.

The prospects of legalization of on-line poker took a major step forward with the announcements of strategic alliances and/or partnerships between the major Nevada based gaming companies and offshore poker sites Poker Stars and Wynn; FullTilt and Stations; Cesars Entertainment and 888 are just examples. Some may consider these announcements as good news for on-line poker players, but for some of those poker player it will be the beginning of some serious problems.

H.R. 1174 contains an important provisions in Section 5383 (E) and (F) that commit the sites that become licensees to submit to U.S. jurisdiction and all applicable laws and requires that all facilities of the licensees that operate & accept wages be located in the U.S. This means that a situation much like the jurisdictional circumstances that exist in the UBS AG case and the recently announced HSBC Bank USA case will exist. In those cases the [IRS](#) obtained or is seeking to obtain the names and account information of U.S. resident depositors with account in foreign branches of the bank by bringing John Does Summons proceedings against the U.S. branch. A John Doe Summons is authorized under IRC Section 7609 (f) to obtain records from a third party of an ascertainable group or class of persons when there is reason to believe that the group class of persons may have failed to comply with the internal revenue laws.

Putting this simply, once on-line poker( or any other form of gambling) is legalized in the U.S.. the [IRS](#) will have the ability to seek a John Doe Summons to serve on the offshore sites through there U.S. corporate entity and compel disclosure of player records. What records, well players should expect the records to include all player registration data, including deposits, sources of deposits, (wire, checks or other sources) total

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withdrawals, method of withdrawals, and much more. Players should expect the record request to go back 6 years from the date of issuance of the John Doe Summons. Just how much the [IRS](#) can expect to collect should be considered in light of the revenue forecasts that estimate billions to be collected from license fees in the years following legalization. Add to that the possible prosecutions of some as a deterrent and the outcome for non-compliant U.S. poker players will surely be unpleasant. Now is the time to come clean and not wait for the [IRS](#) to contact you.

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