



# TFA

## Monthly Newsletter

June 2015

### IN THE NEWS

## A Small But Serious Change: Contemplated IRS Rule Change May Increase Reporting Costs 2x to 6x

by William Crader, CFA

### June 2 Deadline for Comments to IRS.

If you have not voiced opposition to the proposed IRS rule change pertaining to section 6041 of the Internal Revenue Code, you may want to after reading this briefing on the suggested change. Comments are due by 5:00pm EDT TODAY! (Comments can be submitted electronically here: [Comment to IRS Regarding Proposed Rule Change.](#))

The IRS is proposing what seems to be a small rule change. Currently, casinos must report customers' winnings when they win \$1,200 or more from slot machines and bingo and \$1,500 or more from keno. The IRS is proposing to

decrease the reporting threshold of customers' winnings in those games to just \$600. For those interested in history, the existing regulation became effective on May 1, 1977 – over 38 years ago. Just to keep this proposal in perspective, \$1,200 grown by inflation over that time period comes out to nearly \$4,800 – or 8x the proposed \$600 threshold. Logic suggests an increase to the threshold, not a decrease.

### So, what's the big deal?

For starters, Tribes can expect their casinos to encounter significant increases in W-2G reporting activity on their casino floors. Grant Eve, a Partner with Joseph Eve, CPAs, offered up

(continued on Page 2)



Above: David Howard (center) with Jeff Castillo (left) and Joe Nayquonabe (right) from Mille Lacs Corporate Ventures at NAFOA in Austin, TX. Congratulations to Joe for being named the NAFOA Executive of the Year!

### NIGC Rules Against Fort Sill Apache Tribe in Gaming Dispute

5/7/15 – [Indianz.com](#)

### Washoe Tribe Partners with Po- arch Creeks for Gaming Project

5/12/15 – [Indianz.com](#)

### Ho-Chunk Can Offer Video Poker at Madison Casino, Appeals Court Rules

5/13/15 – [LacrosseTribe.com](#)

### Delegation Being Sent to Inspect Lower Brule Financial Records

5/23/15 – [ArgusLeader.com](#)

### Casinos: Soboba Tribe Adds Land to Reservation

5/29/15 – [PE.com](#)

(continued from page 1)

this insight, "Initial cost implication studies have ranged from 2 to 6 times current jackpot processing expenses, which includes labor, software, uniforms and additional space."

That's probably not the worst part. The financial impact to gaming activity is expected be detrimental and unfortunately, more difficult to forecast. Grant Eve added, "The question mark is how this change could impact your current high limit slot machine players from deterring play altogether to downtime when the machine locks up." In other words, a player facing this dramatic change to the dollar threshold for IRS reporting will factor this into their entertainment experience, which could likely translate to a negative impact to the casino's top line gaming revenue.

Depending on the size of your gaming operation, the negative shock caused by this rule change could result in hundreds of thousands to millions of dollars eaten up by increased expenses or more dramatically, simply lost from customers reducing their playing time

or gaming spend. These are dollars that currently go to support tribal programs.

From a financing perspective, given lenders' acute sensitivity about increased competition, market saturation and generally searching the horizon for any negative impact to bottom-line results, this isn't a positive development.

#### What's next?

A hearing is scheduled for June 17, 2015 to discuss comments and topics associated with the proposed rule change. Much concern exists about

the relative lack of attention this issue has received and rightfully so. Many have indicated it would be a costly and time consuming change for Tribal gaming operations. To that end, the American Gaming Association recently stated that a [petition](#) it sponsored has gathered over 10,000 signatures and over 3,000 comments have been registered with the IRS opposing the rule change. Again, for those who are interested, we encourage you to voice your opinion using the link above and/or signing the AGA's electronic petition.



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