



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Gambling Loss Tax Deduct, NC Sound Money Act.
Bill Number: House Bill 14 (Second Edition)
Sponsor(s): Rep. Paré, Rep. Tyson, Rep. Kidwell, and Rep. Winslow

SUMMARY TABLE

FISCAL IMPACT OF H.B. 14, V.2 (\$ in millions)

	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
State Impact					
General Fund Revenue	(42.1)	(26.8)	(23.4)	(25.8)	(27.7)
Less Expenditures	-	-	-	-	-
General Fund Impact	(42.1)	(26.8)	(23.4)	(25.8)	(27.7)
NET STATE IMPACT	(\$42.1)	(\$26.8)	(\$23.4)	(\$25.8)	(\$27.7)

TECHNICAL CONSIDERATIONS: See Technical Considerations Section

FISCAL IMPACT SUMMARY

Section 1 of House Bill (H.B.) 14 creates an itemized personal income tax deduction for gambling losses. The Fiscal Research Division (FRD) estimates it would reduce revenue by an estimated \$42.1 million in Fiscal Year (FY) 2025-26 and between \$23.4 million and \$27.7 million over each of the following four fiscal years.

Retroactive to the 2024 tax year, a taxpayer itemizing deductions would be able to deduct gambling losses from their adjusted gross income up to an amount equal to their gambling winnings. FRD anticipates that Section 1 of H.B. 14 to have a larger fiscal impact in the first year of enactment due to taxpayers filing both amended 2024 returns and their 2025 tax returns in FY 2025-26.

Section 2 of H.B. 14 creates a personal income tax deduction for using coins and bullion to make payments. Under current law, a person would recognize any appreciation in the value of the coin as a taxable event. The fiscal impact of this section is unknown.

Note: No part of this bill impacts the sports wagering tax of 18% charged on the gross wagering revenue for sportsbook operators. Rather, Section 1 is related to tax liability for winnings and losses of personal income tax filers.



FISCAL ANALYSIS

Section 1: Itemized Deduction for Gambling Losses Methods

FRD estimated the fiscal impact using data released by the North Carolina Lottery Commission, the North Carolina Department of Revenue, and the Consensus Revenue Forecast. FRD used the amount of sports wagering winnings paid out in the 2024 calendar year by sports wagering operators to estimate the amount of losses deductible for the 2024 tax year and estimated the anticipated losses deductible in each future year by the estimated growth in sports wagering revenue.

Tax Year 2024

Section 1 of H.B. 14 allows a taxpayer to deduct losses to the extent of their winnings. According to the North Carolina State Lottery Commission, over \$4.8 billion in sports wagering winnings were paid out in 2024. Therefore, for the 2024 tax year, \$4.8 billion is the maximum amount of losses deductible by sports bettors. However, this implies every taxpayer chooses to itemize their deductions, and each taxpayer can offset their winnings with equivalent losses. FRD assumes there are in fact net winners and losers among those who sports bet, meaning there are individuals with winnings that exceed their losses. Therefore, some individuals may not be able to deduct all their losses, resulting in the actual fiscal impact of section 1 being less than the provided fiscal estimate.

Using the data included in the North Carolina Department of Revenue Statistical Abstract, FRD calculated that approximately 8% of State taxpayers itemize their returns. FRD applied this percentage to the amount of total winnings paid in 2024, assuming winnings are distributed equally amongst all filers. Using this method, an estimated \$385 million in gambling winnings may be deductible under H.B. 14 by taxpayers who itemize. Applying the 2024 tax rate of 4.5%, approximately \$17 million is estimated to be deductible for the 2024 tax year under H.B. 14 (\$385 million x 4.5%).

Future Tax Years

Since legalized sports wagering began in North Carolina in March 2024, FRD assumes the amount of gambling winnings will continue to increase as sports gambling volume increases. The reported 2024 winnings represent a partial year's worth of sports wagering winnings paid. FRD assumes the reported \$4.8 billion in winnings represents roughly 75% of the total winnings that would have been paid out if sports wagering was legal for the full duration of 2024. Dividing \$4.8 billion by 75% provided a calendar year baseline of sports betting winnings that FRD then adjusted for growth. The growth rates applied are consistent with the Consensus Revenue Forecast and FRD expectations for growth in sports wagering revenue as the industry continues to increase in popularity in North Carolina. The table below shows the estimated winnings paid out to individuals who sports bet by tax year.



Table: Estimated Sports Betting Winnings

Tax Year	Estimated Total Winnings Paid (\$ in Billions)
2024	\$4.8
2025	\$7.5
2026	\$8.5
2027	\$9.4
2028	\$10.1
2029	\$10.6

With the estimated total winnings calculated, FRD multiplied each year's total estimated winnings by 8%, representing the share of winnings that might be deducted by those who itemize, and then multiplied the result by the applicable tax rate (4.25% in 2025, 3.99% in 2026, and 3.49% in 2027 and beyond). For example, in the 2025 tax year, FRD estimates roughly \$600 million in winnings would be deducted by taxpayers who itemize their deductions (\$7.5 billion x 8%). This is estimated to reduce income tax collections from tax year 2025 by about \$25 million (\$600 million x 4.25%). Annual figures are then adjusted to match a fiscal year basis for the Fiscal Impact table at the beginning of this document, with FY 2025-26 reflecting itemized deductions taken in the 2024 and 2025 tax years.

FRD assumes the percentage of taxpayers itemizing deductions remains unchanged throughout the projection period. Changes in the frequency of those choosing to itemize their deductions may result in the actual fiscal impact differing from the summary table estimates.

Section 2: Deduction From Gain or Loss of Disposition of Metal Coins & Bullion

FRD is unable to estimate the impact of this section. Currently, FRD assumes taxpayers wishing to exchange their coins and bullion as defined in the bill will sell the assets before making the exchange, which creates a taxable event if those assets have increased in value since purchase. However, sellers who choose to accept coins and bullion as defined in the bill as a form of payment will create a new category of transactions that will be exempt from this taxation. It is not possible to know how many transactors will take advantage of this provision. Additionally, coins and bullion as defined in the bill fluctuate in value, so the effect of the appreciation is unknown.

TECHNICAL CONSIDERATIONS

Natural variation in the distribution of winnings and losses across taxpayers may result in the actual fiscal impact being less than the provided summary table estimates.

Some taxpayers may also choose to deduct other gambling losses, such as those from playing the lottery. This analysis does not account for any additional fiscal impact from these taxpayers.

DATA SOURCES

The North Carolina Department of Revenue Statistical Abstract of North Carolina Taxes, The North Carolina Lottery Commission, Consensus Revenue Forecast

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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