

In-House U.S. Tax Preparer

MARIA KARPIEL

Claiming a Refund for US Taxes Withheld From Lotteries, Gambling Winnings or Prizes

The information in this article applies to Canadian residents who are not US citizens, and are not US residents.

Contest prizes and winnings from lotteries or gambling are not taxable in Canada, so this type of income does not have to be reported on your Canadian tax return, unless of course you are engaged in the business of gambling. On your Canadian tax return, you cannot claim a credit for any taxes withheld from these non-business income winnings.

If you are a Canadian resident and have had 30% tax withheld from winnings from a contest, according to the Internal Revenue Service (IRS), you cannot recover this money.

If you are a Canadian resident and have had 30% tax withheld from lottery or gambling winnings in the US, some or all of the tax can be recovered if

- you also have US gambling losses to offset some or all of the winnings, or
- tax was withheld from winnings from blackjack, baccarat, craps, roulette or big-6 wheel

All of the links in this article are to documents on the website of the IRS, and most of the links are to pdf files.

In order to get a refund of US taxes withheld from lottery winnings or gambling winnings, Canadian residents must file a US tax return. The US tax return to be filed is

- [Form 1040NR](#) - US non-resident alien income tax return.

Your lottery winnings, and gambling winnings and losses will be recorded on Schedule NEC (part of Form 1040NR), as long as you are ***not engaged in the trade or business of gambling***. Read:

- [Instructions for the 1040NR](#), and
- Instructions for Schedule NEC, included in the 1040NR instructions.

Gambling and lottery winnings for residents of Canada are included on line 10a of Schedule NEC. Proceeds from lotteries and raffles are also included on line 10a, but winnings from blackjack, baccarat, craps, roulette, or big-6 wheel are not included here. Gambling **losses** are entered on line 10b, with net gambling income (zero if negative) entered on line 10c.

If you have winnings from blackjack, baccarat, craps, roulette, or big-6 wheel, and the casino gave you a [Form 1042-S](#) (Foreign Person's US Source income subject to withholding) showing that tax was withheld, enter these winnings in column d of line 10, with a tax rate of zero%. You can claim a refund of the tax.

If you do not already have an individual taxpayer identification number (ITIN), you will have to apply for one. The application form is

- [Form W-7](#), and the [instructions](#) for the form

See also:

- [Publication 1915 – understanding Your IRS Individual Taxpayer Identification Number \(ITIN\)](#)

Your 1040NR tax return must be attached to the application form W-7.