

Prizes must be reported

By Pat Von Gemmingen, CPA

Winning a lottery or a boxtop contest can be exhilarating, but when it comes time to pay the piper the thrill may be gone. If you win the Nenana Ice Pool, for instance, the IRS will be notified but you will at least have cash in your hands. Even though nothing is withheld, you can still sock part of it away for tax time.

If you win a non-cash prize, however, you may have to pay taxes on the cash value of the

prize. That can still be a bargain, and you can deduct gambling losses up to the amount of the prize, but winning a free automobile or an expensive trip can require coming up with a lump of cash for the IRS. The next time your youngster enters one of those cereal box top contests you might want to guesstimate how much it would cost you if the child won.

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