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Here's the Tax Beat broadcast for March 25, 2026

Subject Line: Bracket Busted, IRS Isn't

It's March Madness again, the time of year when perfectly rational adults, like accountants, surgeons, and district court judges, spend forty-five minutes staring at a bracket they built on vibes and a vague memory that Gonzaga always chokes in the Sweet Sixteen. Sixty-eight teams. Sixty-seven broken dreams. One champion. And somewhere after the third round, 40 million Americans look at their picks, look at the scoreboard, and mutter something unprintable.

March Madness is now a $3.1 billion annual wagering event, according to the American Gaming Association. That makes it one of the most bet-on sporting spectacles in the world. And that's just the legal money. The office pool running on a Google sheet administered by someone named Todd? That's off the books. As for the broader sports betting market it lives inside? Absolutely enormous. Americans wagered a staggering $167 billion on sports in 2025. That's a number so large it makes the entire GDP of Hungary look like Todd's lunch order.

It's also a 24-fold increase since 2018, when the Supreme Court blew up a 1992 federal law restricting sports gambling and essentially handed 38 states a new revenue stream with a bow on it. Today, sportsbooks light up every March like a slot machine competition in Atlantic City, and the apps on your phone are essentially casinos that follow you everywhere, whispering "*pick the Cinderella team, you know you want to*."

Now Washington has noticed. A D.C. think tank called the Bipartisan Policy Center recently proposed hiking the federal excise tax on sports bets from 0.25% to 5%. That's a twenty-fold increase on the tax, on a market that's already 24 times bigger than it was seven years ago. The projected haul: nearly $100 billion over ten years, which would make it the fifth-largest federal excise tax in the country. Suddenly the bracket everyone's been filling out looks less like entertainment, and more like an IRS exercise in escaping a 5-point hole with 37 seconds left on the buzzer.

Here's the part your bookie won't mention: your winnings are already taxable income. Every dime. If you bet $10 on Duke, win $25, and net $15 in profit, that $15 belongs on your 1040. And if you win more than $600 at certain thresholds (or $1,200 at a casino), you'll get a Form W-2G, which is basically the universe's way of telling you that even your luck is auditable. Under last year's tax law, your deduction is limited to just 90% of your losses, so the house edge just got even tougher to beat.

What the proposed excise tax hike would mean in practice is that the sportsbooks themselves would be paying more to operate. Like any good business, they would almost certainly pass that cost along to you in

the form of tighter spreads, worse odds, and the creeping sense that your Final Four picks were rigged from the start. Some analysts worry gamblers would simply migrate to offshore gray-market sites, making enforcement a game of Whac-A-Mole the IRS isn’t currently staffed to win.

The brackets of federal tax policy are full of upsets. The favorite doesn't always advance. A 20x excise hike on the fastest-growing gambling market in American history might survive committee, or it might get bounced in the first round by a senator from Nevada. Either way, the money you win is taxable today. The only question is how much Washington wants to dip into the same bracket.

We can't pick your Final Four. But if your bracket somehow busts the bank, give us a call — we know exactly which seeds to plant to keep the IRS from advancing to your wallet!

Kevin