

a section or other provision of law are references to a section or other provision of the Internal Revenue Code, as amended, unless otherwise indicated.

(b) *Division of regulations.* The regulations in this part are divided into five subparts. Subpart A contains provisions relating to the arrangement and numbering of the sections of the regulations in this part, general definitions and use of terms, scope of the regulations, and the extent to which the regulations in this part supersede prior regulations relating to the taxes imposed by Chapter 35 of the Internal Revenue Code. Subpart B relates to the tax on wagers. Subpart C relates to the special tax. Subpart D relates to certain miscellaneous and general provisions having application to taxes imposed by Chapter 35. Subpart E relates to selected provisions of subtitle F of the Code (Procedure and Administration) which have special application to the taxes imposed by Chapter 35 of the Code.

(c) *Arrangement and numbering.* Each section of the regulations in this part (other than Subpart A) is designated by a number composed of the part number followed by a decimal point (44.); the section of the Internal Revenue Code which it interprets; a hyphen (-); and a number identifying the section. By use of these designations one can ascertain the sections of the regulations relating to a provision of the Code. For example, the regulations pertaining to section 4401 of the Code are designated §§ 41.4401-1, 41.4401-2, and 41.4401-3.

[T.D. 6370, 24 FR 2614, Apr. 4, 1959, as amended by T.D. 7665, 45 FR 6090, Jan. 25, 1980]

#### § 44.0-2 General definitions and use of terms.

As used in the regulations in this part, unless otherwise expressly indicated:

(a) The terms defined in the provisions of law contained in the regulations in this part shall have the meanings so assigned to them.

(b) The Internal Revenue Code of 1954 means the Act approved August 16, 1954 (68A Stat.), entitled "An Act To revise the internal revenue laws of the United States", as amended.

(c) District director means district director of internal revenue.

(d) The cross references in the regulations in this part to other portions of the regulations, when the word "see" is used, are made only for convenience and shall be given no legal effect.

#### § 44.0-3 Scope of regulations.

The regulations in this part apply to wagering activity on and after January 1, 1955.

#### § 44.0-4 Extent to which the regulations in this part supersede prior regulations.

The regulations in this part, with respect to the subject matter within the scope thereof, supersede Regulations 132, 26 CFR (1939) Part 325.

### Subpart B—Tax on Wagers

#### § 44.4401-1 Imposition of tax.

(a) *In general.* Section 4401 imposes a tax on all wagers, as defined in section 4421. See section 4421 and § 44.4421-1 for definition of the term "wager."

(b) *Rate of tax; amount of wager—(1) Rate of tax.* The tax is imposed at the rate of 10 percent of the amount of any taxable wager.

(2) *Amount of wager.* (i) The amount of the wager is the amount risked by the bettor, including any charge or fee incident to the placing of the wager as provided in subdivision (iv) of this subparagraph, rather than the amount which he stands to win. Thus, if a bettor bets \$5 against a bookmaker's \$7 with respect to the outcome of a prize fight, the amount of the wager subject to tax is \$5.

(ii) In the case of a "parlay" wager (i.e., a single wager made by a bettor on the outcome of a series of events, usually horse races), the amount of the taxable wager is the amount initially wagered by the bettor irrespective of whether the parlay is successful. In the case of an "if" wager, the amount of the taxable wager is the total of all amounts wagered on each selection of the bettor. For example, A makes a \$10 wager on horse R with the understanding that if horse R wins, \$5 is to be wagered on horse S and \$5 on horse T. If horse R wins, the taxable wager is \$20. If horse R loses, the taxable wager