Kalshi & Prediction Market Tax Checklist

A step-by-step list to get your prediction-market trading ready for tax season.

1. Gather your records

- [ ] Download your year-end **1099-B** (or consolidated 1099) from Kalshi once issued.
- [ ] Export your full trade history (every fill, with dates, prices, and fees).
- [ ] Pull your deposit and withdrawal history to reconcile cash flow.
- [ ] Keep your own trading journal as a cross-check against the broker forms.
- [ ] Save screenshots or statements for any settled contracts not on the 1099.

2. Know your tax treatment

- [ ] Determine whether your contracts are treated as **Section 1256** contracts (marked-to-market, 60% long-term / 40% short-term).
- [ ] If Section 1256 applies, gains and losses are reported on **Form 6781** regardless of holding period.
- [ ] Understand the alternative views: some treat prediction-market income as ordinary, or as gambling. The treatment affects your rate and which losses you can deduct.
- [ ] Note the 2026 wagering-loss rules if any gambling treatment applies. Losses may be capped, which can tax you on more than you netted.
- [ ] Decide whether you may qualify for Trader Tax Status, and what that would change.

3. Fill in the right forms

- [ ] **Form 6781** for Section 1256 contracts (the 60/40 split is applied here).
- [ ] **Schedule D** to carry the net capital gain or loss through to your return.
- [ ] **Form 8949** if you have positions reported separately from 1256 treatment.
- [ ] **Schedule 1** if any portion is reported as other income.
- [ ] Reconcile every figure to your 1099-B and journal before filing.

4. Mind the deadlines

- [ ] Late January: brokers issue 1099 forms for the prior year.
- [ ] April 15: federal return (and any balance due) for most filers.
- [ ] Quarterly estimated taxes if you owe enough, to avoid an underpayment penalty.
- [ ] Check your state's filing deadline, which may differ.

5. Don't forget

- [ ] Account for trading **fees**, which reduce your gains.
- [ ] Check your **state** rules; some tax this income differently or not at all.
- [ ] Carry forward prior-year capital losses if you have them.
- [ ] Keep records for at least three years in case of an inquiry.

This checklist is educational and is not tax advice. Tax treatment of prediction-market contracts is evolving and can depend on your facts. Run the numbers with ContractTax's free tax tools at contracttax.com, and confirm your filing with a qualified tax professional.