

Cryptocurrency Basics

Cryptocurrency is an alternative form of payment and works through a technology called blockchain, a decentralized processing and recording system making it nearly impossible to counterfeit and it comes with tax reporting requirements.

REPORTING BASICS

The IRS has stepped up investigations into unreported cryptocurrency income. Your Form 1040 asks whether you transacted in cryptocurrency during the year. Answer truthfully. However, the IRS has stated that if your only crypto activity was using hard cash to purchase cryptocurrency, you can answer this question with a no.

IRS VIEWS

The IRS views cryptocurrency as property, not cash. That means crypto is more like a house than a bank account in the eyes of the IRS. So, when you exchange your digital currency for cash or other goods or services, you'll recognize a capital gain. If you held the crypto for a year or less, it's considered a short-term capital gain which is taxed at ordinary income tax rates. If held longer than a year it will be taxed at capital gain rates. Report your cryptocurrency transactions on Form 8949 and Schedule D.



(516) 294-0400



(516) 938-0491



415 CROSSWAYS PARK DR.
SUITE C
WOODBURY, NY 11797

KVLSMCPA.COM

