



## Bitcoin Regulation Update – Regulators Introduce Cryptocurrency Tax Fairness Act

by *Denny Murphy and Nick Ward*

As the worldwide cryptocurrency and digital payment system continues to rise in price (last month, it surpassed \$5,000, though it's currently down to \$4,400 per coin, reaching a new all-time high), lawmakers have recently moved to regulate the cryptocurrency space. If you interact with bitcoin to any extent, this could impact you.

In 2014, the IRS declared bitcoin and other cryptocurrencies to be digital assets. This meant individuals using bitcoin would need to recognize capital gains and losses. As bitcoin becomes more widely accepted as a form of currency, people are struggling to track gains and losses as they use bitcoin to purchase everyday items.

Theoretically, if you bought bitcoin at \$10, then bought a \$15 movie ticket with bitcoin, you would need to report a \$5 gain on your tax return. This week, two members of the House of Representatives have filed the **Cryptocurrency Tax Fairness Act** that would seek to alleviate the burden of tracking small gains for taxpayers.

Rep. Jared Polis, D-Colo., and Rep. David Schweikert, R-Ariz., co-chairs of the Congressional Blockchain Caucus, introduced the Act. If passed, it would create a de minimis exemption for cryptocurrency transactions below \$600. The bill states: *“Gross income shall not include gain from the sale or exchange of virtual currency for 5 other than cash or cash equivalents...if the amount of gain excluded from gross income under subsection (a) with respect to a sale or exchange shall not exceed \$600.”*

This bill proposes a similar exemption to the one that foreign currency enjoys today. It appears to be the first of many steps that could be taken on the path to accepting and regulating the use of cryptocurrencies.

### **Dealing in bitcoin? What should you do?**

If you have made money off of bitcoin, you should consult with an accountant who is experienced with cryptocurrency on the tax implications. This first entails printing out your bitcoin transaction history so that gains and losses can be determined. Thus far, Form 1099B is not being issued in the cryptocurrency space, so it's up to the individual to determine all relevant financial information, from cost basis to net gain/loss. A qualified financial professional is best suited to help accomplish this.

Rest assured, this issue will continue to evolve. As it does, Skoda Minotti will continue to track the latest developments regarding the Act and all other bitcoin news, and we will keep you updated as developments occur.

If you have invested in or used bitcoin and need assistance reporting it on your individual return, contact Denny Murphy or Nick Ward at 440-449-6800 or email **Denny** or **Nick**.