

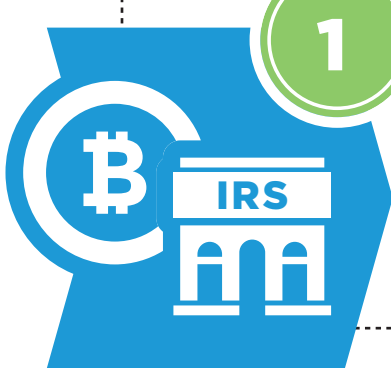


# Your Cryptocurrency Checklist

for the 2022 Tax Season

10 Questions to Address in a Quick 10 Minute Conversation with Your Clients About Cryptocurrency

1



- ▶ **Q:** Is cryptocurrency taxed?
- ▶ **A:** Yes

2



- Q:** Can the government see my cryptocurrency transactions?
- A:** Yes, the IRS works with blockchain companies to track cryptocurrency users.

3



- Q:** Is cryptocurrency reporting found on tax forms:
- A:** Yes, it's listed on the first page of Form 1040. It asks if you have purchased virtual currency in the previous tax year.

4



- Q:** Should I amend previous tax years for clients who haven't filed for their cryptocurrency before?
- A:** Yes. Once you learn a client has cryptocurrency, it's a good idea to determine when they started acquiring it and look into amending any previous tax years that might need correction.

5



- Q:** If I bought and held currency, do I need to disclose?
- A:** The IRS has published an FAQ to answer some of the confusion around the description.

6



- Q:** What does the taxation cover?
- A:** If you bought, sold, traded, sent or received any virtual currency in the prior tax year, this is a transaction to be reported.

7



- Q:** How is cryptocurrency taxed?
- A:** It is taxed similarly to stock and property – long-term and short-term gains. Just like stock held for a year, in the United States, they are taxed as long-term capital gains, accompanied by a lower tax rate.

8



- Q:** Does the Wash Sale Rule apply to cryptocurrency?
- A:** The crypto tax laws follow those of property, not stock or securities. As a result, the wash sale rule doesn't currently apply to crypto transactions.

9



- Q:** Is cryptocurrency taxation easy to calculate?
- A:** No. It requires calculation of each transaction – even fractional transactions – to be calculated at that current market value. If it is not being tracked in real-time, it is a very manual process that could end up taking over 40 hours to calculate.

10



- Q:** Has your client earned interest income from "saving" their cryptocurrency?
- A:** Although it's typically paid for in the "coin" they're investing in, there are still math calculations that can determine how much virtual currency was made from the interest. This is taxable on long-term and short-term gains also.