



OBSERVATIONS

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Virtual Currency

August 27, 2019

In a statement ([IR-2019-132](#)) issued on July 26, 2019, the IRS announced that it would be sending letters to taxpayers who may have unreported income relating to virtual currency transactions, or who may not have reported the transactions correctly on previously filed returns.

In this statement, Charles Rettig, the IRS commissioner, encouraged all taxpayers to take the letters seriously. He also encouraged taxpayers to become compliant by amending returns and paying any taxes, penalties and interest.

The IRS began sending 3 different educational letters starting the end of July and will continue through the end of August. The goal of these letters is to help taxpayers understand the filing obligations of reporting and paying tax on virtual currency transactions.

Virtual Currency has been a focus of investigation for the IRS for some time. In fact, guidance was issued in 2014 ([Notice 2014-21](#)) defining the type of virtual currency transactions to be reported on tax returns.

Virtual currency is treated as property and not as currency (fiat) for tax purposes.

Examples of taxable events include but are not limited to:

- Virtual currency to fiat exchange (*note: fiat to virtual currency is not taxable*)
- Purchases made with digital currency
- Receiving virtual currency for payment of services
- Virtual Currency to Virtual Currency exchanges

If you have unreported virtual currency transactions for prior years, and/or if you received one of these notices, please contact our office so that we may assist you in determining the course of action required.