

Presented by







Agenda

- What is cryptocurrency?
- IRS Treatment
- FBAR Filing Requirement
- Questions



Cryptocurrency: What is it?

- It is an algorithm and distributed data structure for managing electronic cash and contracts in a decentralized fashion.
- It is a public system protected by secured keys.
- All transactions are verified by computers with complex math problem solving capabilities which confirm and verify its accuracy and privacy.



Mainstream Cryptocurrency: Bitcoin, Blockchain, etc.

- The debits and credits activity is represented in blocks, and the chains are the beginning and ending balances.
- Each block specifies encrypted transactions, while computers work as a community to safeguard the data to avoid tampering.
- Once the computers form a decision, the block becomes "chained" and the next block begins.



Tax Rules

- Mining virtual currencies qualifies as a taxable event.
 - It is treated as property under the federal tax guidelines.
- Reporting:
 - Payments using virtual currency made to independent contractors and other service providers are taxable, and self-employment tax rules generally apply. Normally, payers must issue Form 1099-MISC.





Tax Rules

- Wages paid to employees using virtual currency are taxable to the employee, must be reported by an employer on a Form W-2.
- Certain third parties who settle payments made in virtual currency on behalf of merchants that accept virtual currency from their customers are required to report payments to those merchants on Form 1099-K, Payment Card and Third Party Network Transactions.
- The character of gain or loss from the sale or exchange of virtual currency depends on whether the virtual currency is a capital asset in the hands of the taxpayer.







Foreign U.S. **Financial** Person Account Foreign Bank Account Reporting **Financial** Signature Authority Interest

FBAR

- Who Must File the FBAR?
 - A United States person that has a <u>financial</u> interest in or <u>signature authority</u> over foreign financial accounts must file an FBAR if the **aggregate value** of the foreign financial accounts exceeds \$10,000 at any time during the calendar year.
- The maximum value of the accounts maintained must all be reported.
 - Example: If the balance in Account A is \$4,500 and Account B is \$5,500, the aggregate of \$10,000 must be reported at fair market value.

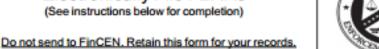


Form 114a

Department of the Treasury Financial Crimes Enforcement Network (FinCEN)

October 2013

Record of Authorization to Electronically File FBARs



Part I Persons who have an obligation to file a Report of Foreign Bank and Financial Account(s)					
Owner last name or entity's legal name	2	2. Owner first name			3. Owner M. I.
4. Spouse last name (if jointly filing FBAR - see ins	tructions below) 5	Spouse first name			6. Spouse M. I.
I/we declare that I/we have provided information concerning (enter number of accounts) foreign bank and financial account(s) for the filing year ending December 31, to the preparer listed in Part II; that this information is to the best of my/our knowledge true, correct, and complete; that I/we authorize the preparer listed in Part II to complete and submit to the Financial Crimes Enforcement Network (FinCEN) a Report of Foreign Bank and Financial Accounts (FBAR) based on the information that I/we have provided; and that I/we authorize the preparer listed in Part II to receive information from FinCEN, answer inquiries and resolve issues relating to this submission. I/we acknowledge that, notwithstanding this declaration, it is my/our legal responsibility, not that of the preparer listed in Part II, to timely file an FBAR if required by law to do so.					
7. Owner signature (Authorized representative if	entity) 8 Date	9 Owner or entity TIN		10 TI	N a □EIN pe b □SSN/ITIN c □ Foreign
11. Spouse signature	12 Date	13 Spouse TIN		14 Ti	IN a EIN /pe b SSN/ITIN c Foreign
Part II Individual or Entity Authorized to File FBAR on behalf of Persons who have an obligation to file.					
15. Preparer last name	16. Preparer	16. Preparer first name		M.L.	18. Preparer PTIN
19 Address	20 City	20 City		State 22 ZIP/postal code	
23 Country 24 Preparer's (item 15) emplo	oyer's (Entity) name 2	5. Employer EIN	26. Preparer's signature		
Instructions for completing the FBAR Signature Authorization Record					

This is a fill and print form using Adobe Reader

This record may be completed by the individual or entity granting such authorization (Part I) QR the individual/entity authorized to perform such services. The completed record must be signed by the individual(s)/entity granting the authorization (Part I) and the individual/entity that will file the FBAR. The Preparer/filing entity must be registered with FinCEN BSA E-File system. (See http://bsaefiling.fincen.treas.gov/main.html for registration).

Read and complete the account owner statement in Part I.

To authorize a third party to file the Foreign Bank and Financial Accounts Report (FBAR), the account owner should complete Part I, items 1 through 3 (as required), sign and date the document in Part I, Items 7/8 and complete items 9 and 10.

Accounts Jointly Owned by Spouses (see exceptions in the FBAR instructions)

If the account owner is filing an FBAR jointly with his/her spouse, the spouse must also complete Part I, items 4 through 6. The spouse must also

FBAR

- Reporting and Filing:
 - The information is required to be disclosed by e-filing the FBAR, FinCEN Form 114.
 - As of 2018 the FBAR is due October 15th.





Overseas Cryptocurrency

- As of today, the Financial Crimes Enforcement Network (FinCEN) has not issued guidance on whether cryptocurrencies are considered a reportable financial account.
- Filing an FBAR is an individual decision and based on the filer's risk tolerance.
- There is no tax burden for filing and FinCEN reserves the right in the future to penalize





Overseas Cryptocurrency

- Does the cryptocurrency outside of the U.S. have an account number, provide periodic balances, and allow you access to the funds?
 - If yes, this is similar to a bank and/or investment account which is reportable for FBAR purposes.
- Computer storage = Personal Wallet:
 - Not reportable since it is not held with a financial institution.
- Form 8938 Reporting:
 - Similar to the FBAR
 - The IRS has not issued guidance on whether it is reportable on Form 8938.

Let's Connect



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