

# VIRTUAL CURRENCY

Client Name(s): \_\_\_\_\_  
(Hereinafter referred to as "Client")

Tax Practitioner: Monica Haven, E.A.  
(Hereinafter referred to as "EA")

With the rapid fluctuation in value of virtual currencies and the ability to trade Bitcoin futures, the IRS is placing special scrutiny on these transactions.

For example, the IRS began a letter campaign in 2019 aimed at taxpayers with known virtual currency holdings who may not have properly reported the transactions. The letters are: Letter 6174-A, Letter 6174, and Letter 6173. Client must let EA know if such letter has been received.

Client is hereby informed that:

- The IRS has determined that virtual currency is treated as property, not currency.
- For taxpayers who have held a virtual currency for more than a year, the gain will qualify for capital gains rates. Conversely, those with capital losses are subject to the \$3,000 capital loss limitation.
- Wages paid to employees and payments made to independent contractors using virtual currency are taxable to the employee/worker.
- Taxpayers who "mine" the virtual currency must include in gross income the fair market value of the currency on the date it is mined. If the taxpayer is in the trade or business of mining currency and is not considered an employee, then the "mining" income is subject to self-employment taxes.

To ensure property reporting, Client must disclose to EA if Client has mined, bought, sold, sent, or received any virtual currencies in the last few years. This includes spending virtual currency to make a purchase, because this can trigger a reportable gain or loss. Every time bitcoin is used for a purchase Client must compute the gain based on the transaction.

Client's signature [below] confirms receipt of this notice and understanding that it is the Client's responsibility to ensure that all requisite filings are timely submitted.

<b>Client Signature:</b> _____	<b>Date:</b> _____
<b>Print Client's Name:</b> _____	
<b>Spouse Signature:</b> _____	<b>Date:</b> _____
<b>Print Spouse's Name:</b> _____	

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