

# Virtual Currency Due Diligence Form

Virtual Currency (aka cryptocurrency, i.e. Bitcoin, Ethereum, etc.) – If you currently own or have owned any virtual currency in 2022, and

- sold any virtual currency
  - bought anything using virtual currency (this is considered a sale)
  - used virtual currency for online gambling
  - exchanged one form of virtual currency for another form (i.e. exchanged Bitcoin for Ethereum)
- then you may have a reportable taxable event.

The IRS and Department of Justice (DOJ) have ramped up investigations and enforcement actions in their pursuit of detecting and preventing virtual currency tax fraud (and money laundering). These investigations and enforcement actions are similar to the aggressive actions they used when going after offshore bank accounts to find taxpayers who were hiding money outside the US.

- Virtual currencies are a capital asset that must be treated as a property. Like stocks or bonds, any gains or losses from the sale or exchange of cryptocurrency is taxed as a capital gain or loss. This includes converting one form of virtual currency into another form of virtual currency.
- Income generated from mining cryptocurrencies is treated as business income and taxed at ordinary rates.
- Airdrops and Hard Forks are potentially taxable events.
- Staking virtual currency is treated as ordinary income.
- Simply holding virtual currency does not affect your taxes. If you acquire the virtual currency and have not spent it or exchanged it for other currency, you do not have a triggering event for tax purposes.

**All clients must answer these questions, sign and date this form, and then return it to us.**

At any time during 2022, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency?                      Yes                      No

Using virtual currency to purchase goods, services, or trading for other virtual currency is also considered Sale of Virtual Currency. Do you have any sales of virtual currency to report?

Yes No

If yes, please provide a report with the purchase price, purchase date, sale price, and sale date of each transaction.

If you are having difficulty obtaining this information, please call the office for assistance.

If these transactions were not properly reported in prior years, please contact the office to determine if amended returns are needed.

NOTE: If you have lost access to your Wallet and will never be able to access your virtual currency, this can be counted as a loss on your tax return. Please contact us for how we can report this.

**Taxpayer Signature and Date**

**Spouse Signature and Date**