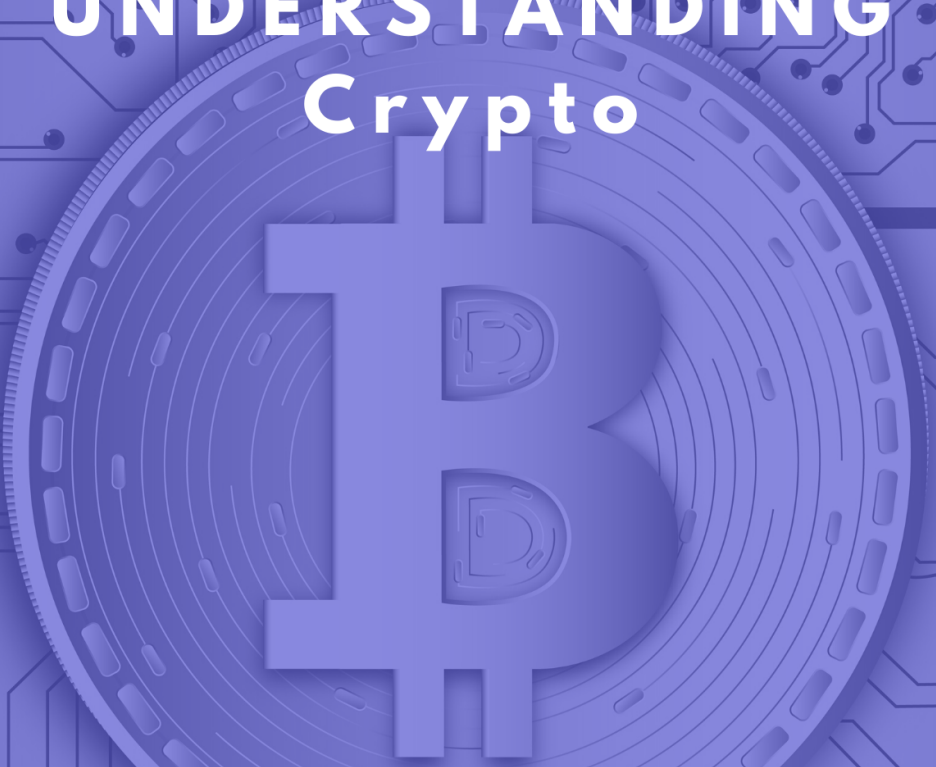
A Quick, EZ Guide To UNDERSTANDING Crypto



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Introduction

Cryptocurrency (now termed "Crypto") is a digital monetary system. Instead of "dollars," the unit of currency is referred to as a "Bitcoin." ***Like traditional money, cryptos can be used to store and transfer value among other crypto users within the crypto community.*** Bitcoin is considered a cryptocurrency. The currency utilizes blockchain technology and cryptography for management and creation of the currency.

There is a crypto protocol, which resides primarily on the internet. It's possible to utilize the protocol on your smartphone, computer, tablet, and other computing devices. It's easily accessible to anyone with common available technology.

Essentially, anything that can be done with conventional currencies can be done with cryptos. It's possible to buy and sell goods and services, give money to other individuals or organizations, or even provide credit to others. Crypto can be bought, sold, and exchanged for other currencies.

Bitcoin is considered by many to be the ideal currency. It's secure, free from borders, and very fast.

Crypto is virtual. There is no physical crypto to be found anywhere in the world. The cryptos are merely an idea to convey value. All that's required is that other crypto users accept the same premise.

Interestingly, cryptos are a peer-to-peer system. There is no central authority, computer server, or control point.

History

As with the founding of Facebook, the history of crypto is a little fuzzy, but these are the basic high points:

1. **In 2008, someone named "Satoshi Nakamoto" published a paper titled, "Bitcoin: A Peer-to-Peer Electronic Cash System."** To the best of anyone's knowledge, the author's name is an alias. It has even been suggested that several people wrote the article. I can tell you, it is not the author of this Guide though I have been invested in crypto for some time.

    - The premise combined the previous technologies and philosophies of HashCash and b-money. ***The idea was to create an electronic monetary system that was completely decentralized.***

    - The primary innovation was a global accounting process that would take place every 10 minutes. This would allow the entire network of users to reach a consensus regarding the previous 10 minutes of transactions worldwide. The advantage of this process is the elimination of users double spending their currency.

- Previous attempts and electronic currency dealt with the double-spend issue by clearing transactions through a centralized clearing system. This is considered a weakness because a centralized location could be hacked.

2. **The actual crypto network was launched in 2009.** The first issuance of cryptos (in this case, Bitcoin, which is a type of Crypto) was 50 coins. The value of the coins was negotiated by the users at that time.

3. **The first notable transaction was 10,000 Bitcoin for two Papa John's pizzas.** The transaction was indirect and did not include Papa John's as one of the involved parties. The first cryptos weren't worth much!

4. **There has only been one significant exploited vulnerability.** In 2010, 184 billion Bitcoins were created. The transaction was quickly noticed, reversed, and the flaw was removed from the system.

5. **By the beginning of 2013, over 1,000 merchants were accepting cryptos as payment.** Many charities also began accepting cryptos for donations. The Internet Archive gave employees the option to receive their salaries in the form of cryptos.

6. **Bitcoin has ranged in value from less than a penny in 2008 to over $62,000 recently. The value of Bitcoin is very volatile.** The value in November 2015 was roughly $400. Who knows where it will be in the future?

7. **The first government seizure of cryptos occurred in June of 2013.** The DEA seized 11.02 cryptos as part of a raid and listed the cryptos as a seized asset.

8. **Also in 2013, Vancouver, Canada became the location of the first crypto ATM, in this case it was Bitcoin.** The ATM allowed the purchasing of cryptos.

9. **Many larger companies are now accepting cryptos.** These include Tesla motors, Inc., Overstock, Zynga, VastSolutionsGroup.com, and several Las Vegas casinos. There is even a crypto financial product on the U.S. Commodity Futures Trading Commission.

Cryptocurrencies have a somewhat shady history. If you recall, the infamous Silk Road drug website relied on the use of cryptos. ***However, the use of cryptos is becoming more accepted, and even mainstream companies are now getting involved.*** Even the US stock market has investment options for those interested in cryptos.

"I do think Bitcoin is the first [encrypted money]
that has the potential to do something like change the world."

- Peter Thiel, Co-Founder of Paypal

The Advantages of Using Cryptocurrency

Crypto is a unique currency. It's completely virtual. ***Crypto is unsupported by any central bank or other authority.*** It's not the official currency of any country. Yet all of these are both advantages and disadvantages. Whether or not crypto is an advantage for you is dependent on your situation.

Crypto have several advantages over conventional currency:

1. **Crypto can't be physically stolen, generally.** There is nothing physical to steal. In theory, however, someone could force you at gunpoint to send your cryptos to someone else.

2. **It's possible to avoid taxes.** The onus is on the taxpayer to be honest about crypto transactions. There are many disagreements regarding the government's ability to track cryptos through the system. Most of the investigative activity regarding cryptos is centered on major crimes, such as drug trafficking.

3. **Crypto is extremely flexible.** You can pay anyone in the world at any time. Holidays, exchange rates, borders, and

the time of day are irrelevant. ***Crypto has far greater flexibility than any other type of currency system.***

4. **There are no transactional costs.** As there is no central authority, transactional costs are unnecessary. All of the computers on the system, including your own, are doing the heavy lifting. There's no one else to pay. You could send your child a million dollars' worth of cryptos without it costing a single penny. Try doing that with your local bank or PayPal.

    - However, providing a small transactional fee will guarantee that payments are processed more quickly and most trusted exchanges charge fees for their services.

5. **Privacy is maintained.** Your personal information isn't required as part of the transaction. There's no risk of identity theft. The entire process is encrypted. Keep in mind that it's not entirely anonymous. All transactions are recorded and posted for anyone to view. However, your name isn't publicly associated with your transactions.

6. **Transactions cannot be reversed.** This is good news for merchants, but may be a disadvantage for consumers or anyone that sends crypto to the wrong wallet.

7. **The crypto code is open source.** There are no secrets, other than the identities of the parties involved in the transactions.

It's easy to see why cryptos are useful in certain situations. You have a greater degree of privacy and a lack of transactional costs. ***Crypto can be used at any time and on any day***. You can still make or accept a payment on Christmas day at 2:00 AM.

> "[Virtual Currencies] may hold long-term promise, particularly if the innovations promote a faster, more secure and more efficient payment system."
>
> - ***Ben Bernanke, Chairman of the Federal Reserve***

Disadvantages of Crypto

There's a little bad news, too. Crypto has certain disadvantages. ***The lack of governmental regulation and the limited supply of cryptos creates challenges.*** In addition, considering the total number of retail establishments, only a small percentage of them accept cryptos.

Consider these disadvantages:

1. **The value of crypto is very volatile.** The number of cryptos is limited, and demand can vary from one day to the next. So the value of a crypto can change very quickly. ***It's possible to earn or lose a tremendous amount of value very quickly.***

2. **Crypto is not completely widely accepted at this time.** While the number of merchants and individual users is increasing, cryptos still are an uncommon form of currency. Crypto is becoming more mainstream all the time, though. The Federal Reserve Board reports that the number of crypto users is doubling every 8 months.

3. **It's possible to lose your crypto wallet and all of your cryptos. *It's crucial to keep a backup of your wallet file.*** A hard drive crash, virus, or corrupted file will cause your cryptos to become permanently orphaned. You can never

get them back. No one else can ever possess them, either. Having a physical version of your wallet is the most secure way to ensure that your wallet never gets hacked.

4. **There's a lack of buyer protection.** If you pay for a product prior to receiving it, there's no recourse if the product isn't delivered. However, there are third-party escrow services that can protect buyers. If you're paying in advance with crypto, you may want to use one of these services.

5. **Crypto makes it easier to commit crimes, including fraud.** The anonymity of crypto makes it attractive to those engaged in illegal activity. However, cash is still more widely used in illegal activities than cryptos.

It's important to consider how the disadvantages of cryptos dovetail with your situation. ***It's easy to lose all of your cryptos if you're careless.*** You can also lose a lot of money quickly if the demand for cryptos drops sharply.

Bill Gates: "[Bitcoin] is a techno tour de force."
Charlie Munger: "I think it's rat poison."
Warren Buffett: "I think either Charlie or Bill is right."

http://video.foxbusiness.com/v/2359385547001/

May 6, 2013

Liquidity of Crypto

The Bitcoin system is capped at 21 million coin, as an example. Currently, there are roughly 18 million or so Bitcoin in circulation. There is a lot of speculation about what will happen to the value when the 21 million-Bitcoin limit is reached, however this won't happen until around the year 2140.

In general, the US stock market is very liquid. You can quickly sell most stocks, bonds, or mutual fund shares at the going rate without concern. There's always someone willing to buy from you or sell to you, provided the price is right.

Given the limited number of cryptos and users, it's not as easy to sell your cryptos if you wish to cash out. Even if you can find a buyer, even relatively modest transactions can create volatility in the price for a crypto.

How Crypto is Created

Crypto is created through a process called "mining." The first computer to solve a puzzle receives a certain number of cryptos. ***Unfortunately, there are many other computers competing against yours.*** And you probably don't have a computer that can compete.

Mining crypto is extremely challenging. There are companies with powerful computer networks designed to solve the puzzles. The typical home user has no chance of winning.

When a puzzle is solved, cryptos are created and awarded to the owner of the winning computer. The number of bitcoins provided decreases as the number of cryptos in circulation gets closer to the 21 million-crypto limit.

With an adequate computer, the puzzles take approximately 10 minutes to solve. The winning solution requires quadrillions of operations per second. The difficulty of the puzzles can increase or decrease to match the current environment. Winning computers now utilize dedicated circuits rather than software to solve the puzzles.

Most of those competing spend more on electricity than they win in cryptos!

> "The currency of universal values make brands innately sharable."
>
> ***-Simon Mainwaring***

How to Sell Your Crypto

There are several options for selling your cryptos. The process can be quite simple or a little more complicated, depending on the method. More options are becoming available as cryptos become more popular.

Selling crypto online:

1. **There are websites that offer direct trades.** A few examples include *Coinbase*, *Binance*, and *BitBargain*. Most direct trade sites require you to register as a seller. This means you have to reveal your identity. The website will post your wish to sell your cryptos and buyers can accept your offer.

2. **Exchange trades are another way to sell your cryptos online.** You'll still have to identify yourself, but exchange trades require less work on your part. You list the number of cryptos you wish to sell and your desired price. When someone else places a purchase order that matches your requirements, the exchange will complete the transaction.

    - Most exchanges charge a small fee of roughly 0.2%.

- Many investors choose to store their cryptos on exchanges, since their only interest in cryptos is speculative. While the crypto system is essentially hack-proof, this isn't true for the exchanges. ***You could lose all of your crypto by storing your funds on an exchange site that gets hacked.***

3. **Peer-to-Peer trading marketplaces can also be used to sell your cryptos online.** The most popular sites are Brawker and Purse. Instead of selling your cryptos for a more conventional currency, you can exchange your cryptos for products you wish to purchase. Consider this example of peer-to-peer trading:

    - Mary posts her Amazon wish list to the trading marketplace, along with the desired discount. The discount can be up to 25%.

    - John wishes to buy Mary's cryptos and is agreeable to her terms. He will then purchase the items and have them delivered to Mary's address.

    - When the goods have been delivered, Mary will then notify the marketplace and the cryptos will be released to John. The exchange takes a small fee, and everyone is happy.

- It's also common for the purchaser to purchase a gift card instead of purchasing the goods directly.

The advantage of selling online is convenience and safety. The websites do the heavy lifting for you. ***There can be a fee for using these websites, but it's minimal.*** Selling online is the most popular option for unloading cryptos, but it's not the only option.

You can also sell your cryptos in person:

1. **Selling your cryptos in person can be the simple solution.** All that's required is to scan a QR code on the other person's phone and accept your cash payment. Nothing could be simpler.

2. **Agree on the price.** The common practice is to make use of one of the crypto exchanges to determine the price. There are apps available to determine pricing.

3. **Attend crypto meet-ups.** At *meetup.com*, you can find others interested in crypto. It can be a great place to buy and sell cryptos.

4. **Be safe if you're dealing with cash.** A public place is much safer than an abandoned warehouse. ***You're not doing anything illegal, so stay visible.*** Bring along a friend,

too. If possible, sell your cryptos to a friend or family member.

5. **There are websites available to help you find local crypto buyers.** The most popular website is *localcryptos.com*. Buyers and sellers are rated based upon their previous transactions.

There are several ways to sell cryptos, from established online platforms to local meet-ups. ***Selling your cryptos can take some time, depending on the current demand in the marketplace.*** Remember to be safe when dealing with cash. A public place is the preferable option.

> "Right now Bitcoin feels like the Internet before the browser."
>
> ***- Wences Casares, global tech entrepreneur***

How to Purchase Crypto

The options for purchasing cryptos are similar to those for selling them. You're just on the other side of the transaction. Follow the same methods and do your research to ensure you're paying a fair price.

How You Can Get Started

Now that you know how to purchase and sell cryptos, you may wonder how to get started. ***There's little to be done once you have the software on your electronic device.*** The software is referred to as a wallet.

Get started with crypto in just a few minutes:

1. **Create a crypto wallet.** There is a variety of wallets available for different platforms: mobile, web, and desktop. Different wallets have different features. Be certain to understand the features and choose your wallet wisely.

2. **Secure your wallet.** ***It's important to back up your wallet regularly. Remember, if the file is lost, your cryptos are lost forever, too.***

    - Encrypt your wallet. Encryption ensures that no one can use your wallet without knowing the password, including you. Use a password that you can remember.

    - ***An offline wallet is safest.*** If your wallet is stored offline, only those with physical access to the storage location can gain access to your wallet. Online storage is inherently more risky.

3. **Keep all software up to date.** Just as with any other type of software, bugs can appear from time to time. Keep your software up to date and you'll always have access to the latest features.

4. **Obtain cryptos.**

    - Buy cryptos from an exchange.
    - Accept cryptos as payment for a good or service.
    - Purchase cryptos directly from another party.

That's all there is to it. ***There are countless online resources available to fill in the details.*** There are also many physical books on the subject. Much of the necessary information will depend on the wallet you choose. You can quickly learn all you need to know to use crypto as a currency.

> "Virgin Galactic is a bold entrepreneurial technology. It's driving a revolution and Bitcoin is doing just the same when it comes to inventing a new currency."
>
> ***- Sir Richard Branson***

Crypto as an Investment

Investing in crypts is becoming more popular. ***Many millionaires have been created through the buying, holding, and selling of this currency.*** It's also possible to lose a lot of money. Bitcoin is becoming more mainstream every year, and even Wall Street is taking an interest.

There are two primary ways to invest in crypto at this time:

1. **The Bitcoin Investment Trust.** If you want to invest in cryptos but leave the decisions to the experts, this is one option. Other similar investment options are popping up. You don't have to worry about maintaining a crypto wallet or make decisions about when to buy or sell.

2. **Invest directly in cryptos.** This is very similar to investing in any other currency. The low volume of crypto ensures significant volatility. Again, from 2008, to January 2021, Bitcoin prices have exploded!

    - If you have a strong stomach, it's possible to make a lot of money with cryptos. However, it's questionable whether there is any way to make accurate predictions about the value of cryptos. There are many websites claiming the ability to predict crypto prices. None,

however, has a proven record of accomplishment. One new thing in the crypto world is investing 401(k) assets into cryptocurrency. VastSolutionsGroup.com's affiliate, www.cryptoKplan.com, was the first such a vendor to allow cryptocurrency investments within qualified retirement plans.

- ***Many experts consider investing in crypto to be similar to gambling.***

Currency investing is always exciting and rarely predictable. Crypto investing is even more so. ***It's definitely not the place to put your entire nest egg.*** However, if you're bold and stay informed, crypto is one way to invest with high risk.

"Crypto can be traded or used for purchases,
but only with those sellers who will accept them.

Because it is a system independent of external meddling,
there can be no sudden devaluation of Crypto through
the actions of governments."

- Kurt Eichenwald

Conclusion

Crypto is a unique currency and community. The users of crypto are often attempting to avoid the prying eyes of others. It appeals to conspiracy theory types. ***However, crypto is also growing into a respectable and acceptable form of currency.*** Larger companies and banks are becoming more accepting of and interested in crypto.

Consider your own situation very very very carefully and determine if crypto makes sense in your financial life.

Tax Q&A

The IRS' take on Cryptocurrency, or as the Service calls it, Virtual Currency is essential to investing and holding the assets Why? Virtual currency transactions are taxable by law just like transactions in any other property. Taxpayers transacting in virtual currency may have to report those transactions on their tax returns.

What is Virtual Currency?

Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value. In some environments, it operates like "real" currency (i.e., the coin and paper money of the United States or of any other country that is designated as legal tender, circulates, and is customarily used and accepted as a medium of exchange in the country of issuance), but it does not have legal tender status in the U.S. Cryptocurrency is a type of virtual currency that utilizes cryptography to validate and secure transactions that are digitally recorded on a distributed ledger, such as a blockchain.

Virtual currency that has an equivalent value in real currency, or that acts as a substitute for real currency, is referred to as "convertible" virtual currency. Bitcoin is one example of a convertible virtual currency. Bitcoin can be digitally traded between users and can be purchased for, or exchanged into, U.S. dollars, Euros, and other real or

virtual currencies. The following questions and answers should help clarify a number of issues confronting tax payers as it relates to cryptocurrencies, Bitcoins, and to a certain extent, mining, etc.

Question –1: How is virtual currency treated for federal tax purposes?

Answer –1: For federal tax purposes, virtual currency is treated as property. General tax principles applicable to property transactions apply to transactions using virtual currency.

Q–2: Is virtual currency treated as currency for purposes of determining whether a transaction results in foreign currency gain or loss under U.S. federal tax laws?

A–2: No. Under currently applicable law, virtual currency is not treated as currency that could generate foreign currency gain or loss for U.S. federal tax purposes.

Q–3: Must a taxpayer who receives virtual currency as payment for goods or services include in computing gross income the fair market value of the virtual currency?

A–3: Yes. A taxpayer who receives virtual currency as payment for goods or services must, in computing gross income, include the fair market value of the virtual currency, measured in U.S. dollars, as of the date that the virtual currency was received. See Publication 525, *Taxable*

and Nontaxable Income, for more information on miscellaneous income from exchanges involving property or services.

Q–4: What is the basis of virtual currency received as payment for goods or services in Q&A–3?

A–4: The basis of virtual currency that a taxpayer receives as payment for goods or services in Q&A–3 is the fair market value of the virtual currency in U.S. dollars as of the date of receipt. See Publication 551, *Basis of Assets*, for more information on the computation of basis when property is received for goods or services.

Q–5: How is the fair market value of virtual currency determined?

A–5: For U.S. tax purposes, transactions using virtual currency must be reported in U.S. dollars. Therefore, taxpayers will be required to determine the fair market value of virtual currency in U.S. dollars as of the date of payment or receipt. If a virtual currency is listed on an exchange and the exchange rate is established by market supply and demand, the fair market value of the virtual currency is determined by converting the virtual currency into U.S. dollars (or into another real currency which in turn can be converted into U.S. dollars) at the exchange rate, in a reasonable manner that is consistently applied.

Q–6: Does a taxpayer have gain or loss upon an exchange of virtual currency for other property?

A–6: Yes. If the fair market value of property received in exchange for virtual currency exceeds the taxpayer's adjusted basis of the virtual currency, the taxpayer has taxable gain. The taxpayer has a loss if the fair market value of the property received is less than the adjusted basis of the virtual currency. See Publication 544, *Sales and Other Dispositions of Assets*, for information about the tax treatment of sales and exchanges, such as whether a loss is deductible.

Q–7: What type of gain or loss does a taxpayer realize on the sale or exchange of virtual currency?

A–7: The character of the gain or loss generally depends on whether the virtual currency is a capital asset in the hands of the taxpayer. A taxpayer generally realizes capital gain or loss on the sale or exchange of virtual currency that is a capital asset in the hands of the taxpayer. For example, stocks, bonds, and other investment property are generally capital assets. A taxpayer generally realizes ordinary gain or loss on the sale or exchange of virtual currency that is not a capital asset in the hands of the taxpayer. Inventory and other property held mainly for sale to customers in a trade or business are examples of property that is not a capital asset. See Publication 544 for

more information about capital assets and the character of gain or loss.

Q–8: Does a taxpayer who "mines" virtual currency (for example, uses computer resources to validate Bitcoin transactions and maintain the public Bitcoin transaction ledger) realize gross income upon receipt of the virtual currency resulting from those activities?

A–8: Yes, when a taxpayer successfully "mines" virtual currency, the fair market value of the virtual currency as of the date of receipt is includible in gross income. See Publication 525, *Taxable and Nontaxable Income*, for more information on taxable income.

Q–9: Is an individual who "mines" virtual currency as a trade or business subject to self-employment tax on the income derived from those activities?

A–9: If a taxpayer's "mining" of virtual currency constitutes a trade or business, and the "mining" activity is not undertaken by the taxpayer as an employee, the net earnings from self-employment (generally, gross income derived from carrying on a trade or business less allowable deductions) resulting from those activities constitute self-employment income and are subject to the self-employment tax. See Chapter 10 of Publication 334, *Tax Guide for Small Business*, for more information on

self-employment tax and Publication 535, *Business Expenses*, for more information on determining whether expenses are from a business activity carried on to make a profit.

Q–10: Does virtual currency received by an independent contractor for performing services constitute self-employment income?

A–10: Yes. Generally, self-employment income includes all gross income derived by an individual from any trade or business carried on by the individual as other than an employee. Consequently, the fair market value of virtual currency received for services performed as an independent contractor, measured in U.S. dollars as of the date of receipt, constitutes self-employment income and is subject to the self-employment tax. See FS-2007-18, April 2007, *Business or Hobby? Answer Has Implications for Deductions*, for information on determining whether an activity is a business or a hobby.

Q–11: Does virtual currency paid by an employer as remuneration for services constitute wages for employment tax purposes?

A–11: Yes. Generally, the medium in which remuneration for services is paid is immaterial to the determination of whether the remuneration constitutes wages for

employment tax purposes. Consequently, the fair market value of virtual currency paid as wages is subject to federal income tax withholding, Federal Insurance Contributions Act (FICA) tax, and Federal Unemployment Tax Act (FUTA) tax and must be reported on Form W–2, *Wage and Tax Statement*. See Publication 15 (Circular E), *Employer's Tax Guide*, for information on the withholding, depositing, reporting, and paying of employment taxes.

Q–12: Is a payment made using virtual currency subject to information reporting?

A–12: A payment made using virtual currency is subject to information reporting to the same extent as any other payment made in property. For example, a person who in the course of a trade or business makes a payment of fixed and determinable income using virtual currency with a value of $600 or more to a U.S. non-exempt recipient in a taxable year is required to report the payment to the IRS and to the payee. Examples of payments of fixed and determinable income include rent, salaries, wages, premiums, annuities, and compensation.

Q–13: Is a person who in the course of a trade or business makes a payment using virtual currency worth $600 or more to an independent contractor for performing

services required to file an information return with the IRS?

A–13: Generally, a person who in the course of a trade or business makes a payment of $600 or more in a taxable year to an independent contractor for the performance of services is required to report that payment to the IRS and to the payee on Form 1099–MISC, *Miscellaneous Income*. Payments of virtual currency required to be reported on Form 1099-MISC should be reported using the fair market value of the virtual currency in U.S. dollars as of the date of payment. The payment recipient may have income even if the recipient does not receive a Form 1099–MISC. See the Instructions to Form 1099–MISC and the General Instructions for Certain Information Returns for more information. For payments to non-U.S. persons, see Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

Q–14: Are payments made using virtual currency subject to backup withholding?

A–14: Payments made using virtual currency are subject to backup withholding to the same extent as other payments made in property. Therefore, payors making reportable payments using virtual currency must solicit a taxpayer identification number (TIN) from the payee. The payor must backup withhold from the payment if a TIN is

not obtained prior to payment or if the payor receives notification from the IRS that backup withholding is required. See Publication 1281, *Backup Withholding for Missing and Incorrect Name/TINs*, for more information.

Q–15: Are there IRS information reporting requirements for a person who settles payments made in virtual currency on behalf of merchants that accept virtual currency from their customers?

A–15: Yes, if certain requirements are met. In general, a third party that contracts with a substantial number of unrelated merchants to settle payments between the merchants and their customers is a third party settlement organization (TPSO). A TPSO is required to report payments made to a merchant on a Form 1099-K, *Payment Card and Third Party Network Transactions*, if, for the calendar year, both (1) the number of transactions settled for the merchant exceeds 200, and (2) the gross amount of payments made to the merchant exceeds $20,000. When completing Boxes 1, 3, and 5a–1 on the Form 1099-K, transactions where the TPSO settles payments made with virtual currency are aggregated with transactions where the TPSO settles payments made with real currency to determine the total amounts to be reported in those boxes. When determining whether the transactions are reportable, the value of the virtual currency is the fair

market value of the virtual currency in U.S. dollars on the date of payment.

See The Third Party Information Reporting Center, *http://www.irs.gov/Tax-Professionals/Third-Party-Reporting-Information-Center*, for more information on reporting transactions on Form 1099-K.

Q–16: Will taxpayers be subject to penalties for having treated a virtual currency transaction in a manner that is inconsistent with this notice prior to March 25, 2014?

A–16: Taxpayers may be subject to penalties for failure to comply with tax laws. For example, underpayments attributable to virtual currency transactions may be subject to penalties, such as accuracy-related penalties under section 6662. In addition, failure to timely or correctly report virtual currency transactions when required to do so may be subject to information reporting penalties under section 6721 and 6722. However, penalty relief may be available to taxpayers and persons required to file an information return who are able to establish that the underpayment or failure to properly file information returns is due to reasonable cause.

About the Author

Kenner, is a Forbes.com small business contributor and responsible for all investment related decisions, especially those involving portfolio companies. He has been with www.VastHoldingsGroup.com, www.VastSolutionsGroup.com and related entities since 2006. Prior to joining Vast, Kenner worked with ING Group, the multinational investment firm, as a Regional Vice President. His professional history also includes leading at companies such as Wells Fargo Bank as a Vice President, Pacific Portfolio consulting (leading investment research), Mercer Investment Consulting (investment research analyst for the Northwest), and Wall Street-based Ladenburg, Thalmann & Company, Inc. (holding a number of positions). Kenner is the author of two books. His first written in 2007 is titled The Small Business Owner's Marketing Manifesto: An Essential Guide and his second one published in 2020 called The Entrepreneur's Manifesto: A Collection of Smart Financial Advice. His third book, The Family Wealth Manifesto: An Essential Guide, is due out in August of 2021. The northwest native speaks all over the world on topics ranging from investments, retirement, marketing, and other topics affecting entrepreneurs. He attended Harvard University, Washington State University, and

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Researchers

Alessio Iacovone

Alessio is a recent mechanical engineer graduate from the University of Colorado, Boulder. He has been an advocate for cryptocurrencies since 2014 and, since then, has continued to expand his knowledge about blockchain technology, emerging DeFi currencies, and DEX projects.

Kellen French

Kellen, a senior at Grand Canyon University, studying Entrepreneurial Studies at the Colangelo College of Business, has conducted a number of publications in the field of entrepreneurship, investing, and cryptocurrency. He has worked/interned for such companies as NeilPatel.com, FFToolbox.com (a division of Sports Illustrated), VastHoldingsGroup.com and VastSolutionsGroup.com. He personally owns several cryptocurrencies and believes it is the future of commerce.