



# Important Tax Considerations for Cryptocurrencies and Other Digital Assets

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## Speaker

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*Stevie has spoken regularly and co-authored over ten articles since 2018 on blockchain and cryptocurrency tax and regulatory issues.*

- Conlon, Vayser & Schwaba, *Taxation of Bitcoin, Its Progeny, and Derivatives: Coin Ex Machina*, 158 Tax Notes 1001 (Feb. 19, 2018)
- Conlon, Vayser & Schwaba, *Bitcoin Forks and Livestock Law? Tax Day 2018 is a Different Animal*, CoinDesk (Apr. 9, 2018) <https://www.coindesk.com/got-free-crypto-fork-heres-tell-irs/>
- Conlon, Vayser & Schwaba, *Bitcoin, and Wash Sales, and Straddles; Oh My!*, 160 Tax Notes 505 (July 23, 2018)
- Conlon, *Virtual Currencies: What Banks Need to Know*, 39 ABA Bank Compliance Journal No. 6, 28 (Nov./Dec. 2018)
- Conlon, Vayser & Schwaba, *If a Crypto-Tree Falls in a Digital Forest, Can It Give Rise to Tax Evasion?*, 162 Tax Notes 30 (November 5, 2018)
- Conlon, Vayser & Schwaba, *Valuation of Cryptocurrencies and ICO Tokens for Tax Purposes*, 12 Tex. Tech School of Law Est Planning & Comm Prop Law Journal 1, 25 (Fall 2019)
- Conlon, Vayser & Schwaba, *IRS Releases New Cryptocurrency Tax Guidance*, 21 J. Tax Practice & Proc. 5, 19 (Oct.-Nov. 2019)
- Conlon, Vayser & Schwaba, *New IRS Rev. Rul. 2019-24 and a Related FAQ*, 16 J. Tax'n of Fin'l Prod. 4, 27 (2019)
- Conlon, Vayser & Schwaba, *Virtual Currency: The More Technology Changes, the More Enforcement Stays the Same*, 22 J. Tax Practice & Proc. 3, 21 (Fall 2020)
- Conlon & Schwaba, *OCC Okays Custody Services for Cryptocurrencies*, 41 ABA Bank Compliance J. 6, 14 (Nov.-Dec. 2020)
- Conlon, Vayser & Schwaba, *CCA 202114020 Clarifies the Tax Treatment of Hard Forks of Virtual Currencies*, 18 J. Tax'n of Fin'l Prod. 2 (July 19, 2021)
- Conlon, Vayser & Schwaba, *IRS Concludes That Virtual Currency Exchanges Are Not "Like-Kind" Eligible Under Old Code Sec. 1031*, 18 J. Tax'n of Fin'l Prod. 3 (Oct. 12, 2021)

# Agenda

- The Expanding Ecosystem of Digital Assets
- Important definitions
- Understanding the Risk Profile of Participants
- An Overview of U.S. Regulatory Challenges
- Important Tax Guidance
- The Road Ahead

## The Expanding Ecosystem of Digital Assets

- Market Capitalization of Virtual Currencies is estimated to grow from \$1.5T to \$5T by 2030 at a CAGR of 12.8%  
<https://www.prnewswire.com/news-releases/cryptocurrency-market-size-to-reach-usd-4-94-billion-by-2030--growing-at-a-cagr-of-12-8---valuates-reports-301370336.html>
- Due to recent price increases, current market cap estimated at \$2.6T  
<https://finance.yahoo.com/news/total-crypto-market-cap-hits-062333457.html>
- Drivers are:
  - Adoption within global payment system for efficiency including major players like Visa and Paypal  
<https://www.nasdaq.com/articles/visas-new-payment-system-will-accept-everything-from-bitcoin-to-dollars-2021-10-03>  
<https://www.fool.com/the-ascent/cryptocurrency/articles/7-companies-where-you-can-pay-with-crypto/>
  - Adoption by consumers- a survey found that 14% own crypto and another 20% is considering buying it within 1 year  
<https://www.fool.com/the-ascent/research/study-americans-cryptocurrency/>
  - Adoption by financial institutions—U.S. Bank custody announcement  
<https://ir.usbank.com/news-releases/news-release-details/us-bank-announces-new-cryptocurrency-custody-services>
  - Adoption by institutional investors—SEC approved first crypto ETF  
<https://www.bloomberg.com/news/articles/2021-10-15/bitcoin-futures-etf-said-not-to-face-sec-opposition-at-deadline>
  - Adoption fueled by price increases: Bitcoin price hit an all-time high of over \$66K on 10/20/21; price on 10/20/20 was up to over \$12K

# Important Definitions: Overview

| This is just an introduction<br>There are lots more key terms | Full immersion needed to fully understand |
|---|---|
| Cryptocurrency  | Blockchain                                |
| Proof of Work   | Proof of Stake                            |
| Stablecoin  | Privacy Coin                              |
| Smart Contract  | Token                                     |
| NFT   | DeFi                                      |

## Important Definitions: Cryptocurrency

- “A cryptocurrency is a **digital or virtual currency** that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology—a distributed ledger enforced by a disparate network of computers.” <https://www.investopedia.com/terms/c/cryptocurrency.asp>
- “A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation.” <https://www.investopedia.com/terms/c/cryptocurrency.asp>
- Cryptocurrencies are entirely digital and do not exist in physical form.
- There are currently more than 13,000 cryptocurrencies. <https://www.nerdwallet.com/article/investing/cryptocurrency-7-things-to-know>
- In September 2021, El Salvador announced that it would accept Bitcoin as legal tender. However, the initial roll out (as reported in the WSJ) had challenges and the IMF has expressed concerns. <https://www.wsj.com/articles/bitcoin-comes-to-el-salvador-first-country-to-adopt-crypto-as-national-currency-11631005200> <https://finance.yahoo.com/news/imf-actively-engage-el-salvador-135450293.html>

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