



FrankelZacharia^{LLC}

Certified Public Accountants

U.S. Treasury Proposes New Cryptocurrency Tax Compliance Rules

The U.S. Treasury Department is seeking to close a “tax gap” that currently exists when businesses accept cryptocurrencies for payment. Cryptocurrencies have gained popularity rapidly and the government is determined to establish rules for reporting cryptocurrency payments as business income.

The American Families Plan encompasses new measures to close the gap created by nonreporting of cryptocurrency transactions. The Treasury Department released a [report](#) on May 21, 2021, which included a set of proposed cryptocurrency tax compliance initiatives.

The proposed new rules would enable the Internal Revenue Service (IRS) to detect money laundering and tax evasion by providing detailed information on cryptocurrency income that businesses received. Currently, the IRS has limited ability to trace cryptocurrency income when exchanges, businesses, and financial institutions are not required to report these activities.

The proposed rules would require banks and other financial institutions to report information about account inflows and outflows to the IRS to enable the agency to detect unreported income. The rules would mandate businesses to file a current transaction report, similar to a 1099 form, when they receive cryptocurrency payments over \$10,000. This requirement would parallel the current requirement to file cash reports above this threshold.

Although the Treasury Department has not yet established its final rules, businesses that accept Bitcoin and other cryptocurrencies are advised to establish tracking and reporting systems to ensure these payments are recorded properly as income.

Questions on Cryptocurrency Tax Rules? Please contact Frankel Zacharia at 402.496.9100