



Cyrpto Currency Tax Reporting & Compliance

Brian A Sullivan CPA/ABV
San Mateo CA 94402
brian@sullivanco.net
Tel#: 650.548.1120
Cell#: 650.730.9848

IRS Sending Warning Letters to > 10,000 Taxpayers about Crypto Currency

- Taxpayers who deal in virtual currency may be hearing from IRS
- IRS announced they have begun sending letters to taxpayers who may have failed to report income and pay tax on crypto currency transactions
- US v Coinbase Inc (3:17-cv-01431-JSC)
 - Driving IRS interest to pursue taxpayers that may not have reported transactions
 - Court ordered Coinbase to produce for accounts with at least the equivalent of \$20,000 in any one transaction type (buy sell send or receive)
 - In any one year during 2013 thru 2015
 - Taxpayer ID number
 - Name
 - Birth Date
 - Address
 - Records of account activity including transaction logs
 - All periodic statements of account or invoices

3 Variations of IRS letter

- IRS Letter 6174
- IRS Letter 6174
- IRS Letter 6174-A

- All 3 letters inform taxpayers of their reporting obligation.
- All 3 versions not the same
 - One version alleges non-compliance
 - The other version indicates the IRS has been made aware of crypto currency activity



Taxpayers Need to Respond

“...Taxpayers should take these letters very seriously by reviewing their tax filings and when appropriate, amend past returns and pay back taxes, interest and penalties...” Chuck Rettig, IRS Commissioner

- Contact a competent professional to review your past tax filings
- Consider facts to support reasonable cause to abate penalty assessments
- Review crypto currency transaction logs to support advantageous tax filings
- Prepare amended tax returns to reflect crypto currency transactions



IRS Notice 2014-12

- Describes how existing general tax principles apply
- Notice only addresses the US federal tax consequences
- Tax character depends on facts & circumstances
- It may be income subject to self-employment or capital gain or loss

The IRS has done this before - Offshore Accts

- There are clear parallels between IRS focus on crypto currency and prior targeting of offshore accounts
- The issuance of these crypto currency “educational letters” is intended to be a warning shot to taxpayers
- **IRS has signaled that it will not offer an amnesty program**
 - Another reason to take seriously the IRS letters and seek competent professional advice & counsel now!!!

We Can Help You!!!

- If you receive one of the IRS letters contact us immediately
- Provide us copies of transaction logs & account statements
- Let us help you negotiate with the IRS to resolve this issue expeditiously

Brian A Sullivan CPA/ABV
177 Bovet Road, Sixth Floor
San Mateo, CA 94402
Office Tel#: 650.548.1120
Cell#: 650.730.9848
Fax#: 650.636.9285
E-mail: brian@sullivanco.net