

Ryan Cooper on Finances: Cryptocurrency's here to stay; be wise

BY RYAN COOPER
December 20, 2021

Something has changed since Bitcoin became the first crypto currency in 2009.

The total value of all crypto currencies now approaches \$3 trillion. Sotheby's and Christie's, the global auction houses, have auctioned over \$165 million of crypto assets so far in 2021, and they accept bids in Ethereum.

The Lakers will play in Crypto.com arena, formerly Staples Center. Coinbase is a publicly traded company.

The U.S. Securities and Exchange Commission has approved a Bitcoin futures Exchange Traded Fund that started trading in October. Wyoming allows the legal registration of a new type of business entity called a Decentralized Autonomous Organization LLC, which permits management not only by humans but also by software algorithms.

Simply put, we are not only looking at entirely new asset classes, but also new ways of doing business. This is much bigger than just cryptocurrencies; in fact some are describing this as the early stages of "Web 3.0."

You should absolutely be cautious and skeptical. Much of this space is a modern equivalent of the Wild West, with little to no regulation, where "buyer beware" reigns supreme.

But the winds of change are blowing. We are seeing demands from the IRS for improved data reporting, as well as SEC crackdowns on crypto currencies that could be considered securities under U.S. law.

Institutional investors and venture capital have started entering the space and are demanding better security and compliance. You may find this whole thing ridiculous, extremely volatile and incredibly risky, and you would be right. I've



Ryan Cooper

been following these developments for about five years, and I can only say one thing with certainty: Crypto assets are not going away.

Over the last few years, more people have started asking about the tax implications of buying and selling crypto currencies. Did you know that for the past two years, you have testified whether you made any crypto sales when signing your tax returns?

If you did and those sales do not appear on Schedule D, you may have filed an incorrect return. The IRS position on this has been established since 2014, so this is not new territory.

The terminology of crypto assets is very different, but in most situations, the income tax implications are similar to buying and selling stock, and similar tax planning strategies apply. There are trusted resources available if you want to donate appreciated crypto assets to charity or want to protect gains from taxation by rolling proceeds into an Opportunity Zone investment. As with most things tax-related, there are finer points and complexities, and I recommend talking to a professional who understands crypto assets.

Someone recently shared a video clip from 1995 of David Letterman interviewing Bill Gates. Letterman was joking about the first baseball game broadcast on this new thing called the internet. “Have you heard of radio?” is the punchline.

My point is that we can all make jokes, but being obstinate in the face of progress is a reaction, not a strategy. Be cautious, be skeptical, do your research but don't dismiss or ignore it.

(Ryan Cooper, CPA/PFS, is the manager of special projects at Nagel CPAs, LLC – Accountants and Advisors, serving the middle Rio Grande Valley and beyond. Learn more at nagelcpa.us.)