

\$0.039724

+\$0.031019 (356.34%) Past Week



Crypto's Wild Week/ Proposed IRS Reporting Rules:

Time to Move to Solo 401k/IRA LLC?

<https://www.mysolo401k.net/>

1-800-489-7571



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Agenda

- ❖ What is Cryptocurrency
- ❖ Taxation Considerations
- ❖ Proposed IRS Reporting Rules
- ❖ Advantages of Crypto Investing via Your Retirement vs. Non-Retirement Account
- ❖ Advantages of Crypto Investing via IRA LLC vs IRA
- ❖ ***Get more info***



What is Cryptocurrency?

- Per IRS Revenue Ruling 2019-24:
 - 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.
 - Cryptocurrency is a type of virtual currency that uses cryptography to secure transactions that are digitally recorded on a distributed ledger, such as a blockchain.
- Popular cryptocurrencies:
 - ❖ Bitcoin
 - ❖ Ethereum
 - ❖ Litecoin



IRS View on Taxation of Cryptocurrency

- The IRS has issued guidance that cryptocurrency will be treated as property for federal tax purposes (see e.g. IRS Notice 2014-21).
- ***Outside of a retirement account:*** the income or gains from the sale of cryptocurrency will be subject to capital gains tax rates (short-term or long-term as applicable).
- ***Inside a retirement account:*** the gains/income derived from a cryptocurrency investment are tax-deferred (or potentially tax-free in the case of a Roth Solo 401k/Roth IRA LLC account).
 - ❖ **Possible exception:** If you invest your Solo 401k/IRA LLC funds in mining cryptocurrency, the income generated may be subject to unrelated business income tax (UBIT) if the mining is considered an active trade or business.

Proposed IRS Cryptocurrency Reporting Rules

- **May 2021:** US Treasury proposes increased IRS reporting requirement for cryptocurrency transactions
 - Currently, crypto exchanges must issue 1099-K if more than 200 transactions & \$20k in gross proceeds
- **Regulatory Context:** Continues increased regulatory focus (e.g. enforcement priority, 1040 reporting)
- **Who would be required to report?**
 - ❖ Cryptocurrency/cryptoasset exchange accounts & payment service accounts that accept cryptocurrencies
 - *Note: Language of proposal does not limit the proposed reporting requirement to transactions greater than \$10,000*
 - ❖ Business that receive cryptoassets with a fair market value of more than \$10,000
 - ***Compare with*** current requirement to report cash transactions of \$10k and greater (Form 8300)
- **Regulatory Objectives:** Detect Criminal Activity & Tax Collection

Advantages of Crypto Investing in Your Retirement Account

➤ Tax Shelter/Tax-deferred

- ❖ Potentially tax-free via Roth 401k/Roth IRA LLC

➤ Simplify Taxes

- ❖ Since cryptocurrency is considered personal property for tax purposes, trading cryptocurrency or using it to purchase goods/services is a transaction subject to capital gains:
 - Transaction history including fair market value throughout to determine cost basis, etc.
 - Records to determine length of time owned to determine if subject to short-term or long-term capital gains
 - **Note:** Many exchanges don't provide this information

- ✓ **Practical Impact: Increased Reporting will increase the importance of opening the crypto exchange account under the EIN of the Solo 401k/IRA LLC**

Advantages of Crypto Investing in IRA LLC vs IRA

- Access to a broader range of cryptocurrency exchanges
- Ability to store cryptocurrency in a physical hardware wallet
- Private Transactions
- Invest in other alternative investments
 - ❖ Checkbook control

Crypto Investing: Learn More!

- business@mysolo401k.net
- **(800) 489-7571**



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