Crypto Taxes AMA #42

A weekly report clarifying your main doubts and questions about crypto taxes in the US by a crypto expert CPA.

CoinTracking

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Question #1

#1| Do I avoid taxes if I make purchases in USDC with my crypto card instead of using bitcoin?

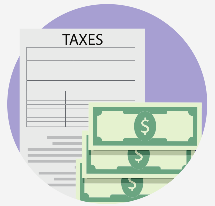
- When you use crypto to buy a product/service, you'll have a taxable event, subject to capital taxes in the US.

- You need to report the transaction on your tax return, regardless of whether you use bitcoin or a stablecoins like USDC. If you're using stablecoins, the gian/loss generated each time when you make a purchase will probably be extremely small because stablecoins are usually pegged to USD, but you are still obliged to track those trades and report them.

Check all the tax implications of spending crypto on products/services.

#2| Do I need to report anything if my collateral gets liquidated on a loan?

- Yes. If your crypto collateral is liquidated, the transaction is treated like a normal sale from a tax perspective. You will need to recognize a capital gain/loss and report the transaction on your tax return (in the US).



#3| Do I pay taxes if I purchase tickets with BTC that it is not converted to USD?

- Yes, spending crypto for a product/service even without converting it to crypto is a taxable event in the US. It is considered as if you first sell the crypto for USD and then immediately use the USD to purchase the product or service. Your cost basis is the price you paid for the crypto you used for the purchase. The FMV when you make the purchase is the “sales proceeds.” The difference between the sales proceeds and your cost basis will be the capital gain/loss on the trade.

#4| Imagine you received 10 Strong at $1000/each. You use those 10K to build a node. What taxes do you pay?

- This is similar to mining with proof of stake. The $10K Strong you paid to start the node is considered your investment in running the node. Putting Strong in the Node is not a taxable event in the US. When you get the deposit back, you don't need to report it on your tax return either.

#5| Do you pay property taxes for purchased Metaverse land?

- In the US, property tax only applies to real property. The Metaverse is a virtual reality with digital assets, not real property. We don't believe property taxes apply to the Metaverse.

Discover the best Metaverse games.

Answers by our expert CPA, Sharon Yip

Sharon has 20+ years of experience in tax and accounting at Big 4 accounting firms and Fortune 500 companies. In 2017, Sharon became a crypto investor and one of the top crypto tax experts in the United States. Sharon is the founder of Crypto Tax Advisors, LLC and the co-founder of Polygon Advisory Group LLC, the service provider for CoinTracking Full-Service (a dedicated service for US-based CT users to help them with transaction import, reconciliation, classification, tax report review, etc).

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Follow us there and tweet at us your question/doubt regarding #cryptotaxes.

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