

Taxation and Cryptocurrencies

House Interim Committee on Revenue

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State of Oregon

LEGISLATIVE REVENUE OFFICE





What is Cryptocurrency?

- A “currency” (generally accepted form of payment) that relies on decentralized cryptographic technology for verification and security.
 - Blockchain is the predominant technology, which is a decentralized database that contains a ledger of transactions. Multiple copies of the blockchain/ledger are stored across many computers worldwide.
- Cryptocurrencies are typically “mined” by doing some computer work (e.g. solving a complex math problem to verify transactions) generating income in the form of units of currency
- Cryptocurrencies are often bought and sold as investments leading to a potential gains (or losses)
- Transactions using cryptocurrencies can also lead to gains (or losses)





How Common is cryptocurrency

- Bitcoin has the most value outstanding (\$1.1 trillion)
- Ethereum has the most transactions (about 1.1 million per day)
- 17% of US adults reported ever owning/trading cryptocurrency (2023)
- About 25 thousand Oregon Tax Returns indicated having digital asset transactions in 2022

Digital Assets

At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.)

Yes No

Sources: bitinfocharts.com, pewresearch.org, Oregon Dept. of Revenue, Research Section





What is taxable?

- **Oregon Taxable Income based on Federal Internal Revenue Code, which is clear**

§ 1.61-1 [Gross income](#).

(a) General definition. Gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in money, property, or services. Income may be realized, therefore, in the form of services, meals, accommodations, stock, or other property, as well as in cash. Section 61 lists the more common items of gross income for purposes of illustration. For purposes of further illustration, § 1.61-14 mentions several miscellaneous items of gross income not listed specifically in section 61. Gross income, however, is not limited to the items so enumerated.

- Income is Taxable without explicit exemption or deduction
- IRS first clarification was in March 2014 (Notice 2014-21) noting that virtual currency would be treated as property and general tax principles apply





Cryptocurrency Taxed as Property

- Cryptocurrency ownership is treated as an asset (like corporate stock)
- A gain realized when cryptocurrency is sold or used in a transaction is calculated like other assets. In the simplest case:

$$\text{Capital Gain} = \text{Sales Price} - \text{Cost Basis}$$

- Gains or losses on transactions are reported as capital gains or losses
 - Every transaction is likely to be taxable because of fluctuating asset value
- Internal Revenue Service References:
 - [Frequently asked questions on virtual currency transactions | Internal Revenue Service \(irs.gov\)](#)
 - [Digital assets | Internal Revenue Service \(irs.gov\)](#)





Cases of Ordinary Income

- When a taxpayer receives cryptocurrency in exchange for something or as a prize, it is ordinary income (valued at time of transaction)
- Examples:
 - Payment for a good or service (similar to [bartering income](#))
 - Employee paid in cryptocurrency by their employer it is taxable income (subject to employment taxes)
 - Mining cryptocurrency is ordinary income
- Internal Revenue Service References:
 - [Frequently asked questions on virtual currency transactions | Internal Revenue Service \(irs.gov\)](#)
 - [Digital assets | Internal Revenue Service \(irs.gov\)](#)





Cryptocurrency Information Reporting

- Gains and Income have always been taxable
- Clarity from IRS
 - [IRS Notice 2014-21](#)
 - [IRS Revenue Ruling 2019-24](#)
- More Clarity from Infrastructure Investment and Jobs Act (Nov. 2021)

Larger brokers already reporting to IRS (and Oregon for most forms if recipient has Oregon address)

- Form 1099-MISC- Some Cryptocurrency Exchanges Issue for over \$600 in income (e.g referral bonus)
- Form 1099-K – Some Exchanges issue for payments for goods and services totaling \$5 thousand or more
- Form 1099-B – Sales transactions reported to IRS and Taxpayer (required starting 2023)

- Form W9 – Cryptocurrency exchanges/brokers must get taxpayer ID numbers and verify identity (2023)
- Form 8300 – Single transactions over \$10,000 reported to IRS by business (awaiting final IRS rules)
- Form 1099-DA - Digital Assets proceeds from broker transactions (2025)



For More Information

- Legislative Revenue Office
- ~~900 Court St. NE, Room 160~~
 - 255 Capitol St, 5th Floor
- Salem, OR 97301
- 503-986-1266
- <https://www.oregonlegislature.gov/lro>