

About Digital Currency and Scope

Digital currency, or cryptocurrency or virtual currency, is a type of unregulated currency which is issued and usually controlled by its developers and is used and accepted among the members of a specific virtual community. Prominent examples of virtual currency include Bitcoin and Ethereum.

The IRS treats convertible virtual currencies as property and not as currency. Any income from virtual currency or in virtual currency — whether due to selling at a profit or receiving a digital asset for work performed — must be reported to the IRS on a tax return.

Limited Purchase of Virtual Currency Using Cash or Other Traditional Currency Is In Scope for VITA

If the **only** virtual currency transaction during the tax year was the purchase of virtual currency using cash or other standard currency, the tax return is **in scope for VITA**. No documentation is required and the purchase is not part of the tax return.

All Other Virtual Currency Transactions Are Out of Scope for VITA

If the taxpayer answers “Yes” to this question on **Form 1040**:

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.) <input type="checkbox"/> Yes <input type="checkbox"/> No
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then the tax return is out of scope for the Tax Help Program:

- Payment for goods or services made in virtual currency to a taxpayer who is not considered an employee (and is reported on **Schedule C of Form 1040**)
- A capital gain or loss when virtual currency is traded or sold for actual currency or another virtual currency (and is reported on **Schedule D of Form 1040**).
- Other income generated from digital currency transactions.

Check if you or your spouse were in 2024:				Legally blind	<input type="checkbox"/> You	<input type="checkbox"/> Spouse	<input type="checkbox"/> No
A U.S. citizen	<input type="checkbox"/> You	<input type="checkbox"/> Spouse	<input type="checkbox"/> No	Totally and permanently disabled	<input type="checkbox"/> You	<input type="checkbox"/> Spouse	<input type="checkbox"/> No
In the U.S. on a visa	<input type="checkbox"/> You	<input type="checkbox"/> Spouse	<input type="checkbox"/> No	Issued an identity protection PIN (IPPIN)	<input type="checkbox"/> You	<input type="checkbox"/> Spouse	<input type="checkbox"/> No
A full-time student	<input type="checkbox"/> You	<input type="checkbox"/> Spouse	<input type="checkbox"/> No	Owners or holders of any digital assets	<input type="checkbox"/> You	<input type="checkbox"/> Spouse	<input type="checkbox"/> No

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<input type="checkbox"/> Any other money received during the year? (Example: cash payments, jury duty, awards, digital assets , royalties, union strike benefits)	<input type="checkbox"/> Other income (see Pub 4012 for guidance on other income, i.e., scope of service chart)
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How to Assist the Taxpayer

The Tax Help Program cannot prepare any return containing digital currency transactions or income.

Take special care to examine any **Form 1099-B** presented by a taxpayer for evidence of digital currency transactions, particularly those from Robinhood Crypto or Coinbase. These digital currency transactions are out of scope for VITA.

The Special Tax Services (STS) team will prepare tax returns containing digital currency transactions only under these circumstances:

- The sale of digital assets is reported on **Form 1099-B** and
- The basis was reported to the IRS

See your Site Manager to refer a client to Special Tax Services.

For all other taxpayers with digital currency income, refer the client to the handout [We Cannot Prepare Your Return](#) [bilingual handout](#).

Did you know? The IRS intends to introduce **Form 1099-DA** for tax year 2025. This form will be used for transactions involving **Digital Assets**.

Transactions That Could Affect Taxable Income



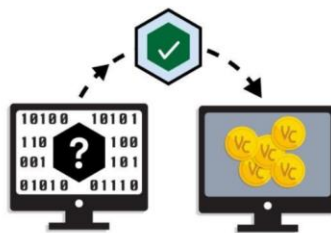
Selling virtual currency for U.S. dollars.



Exchanging one type of virtual currency for another.



Receiving virtual currency for services.

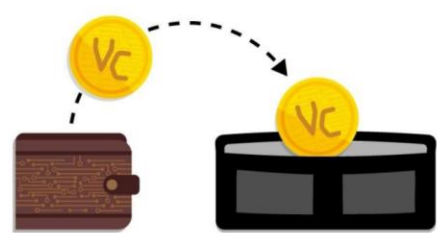


Mining virtual currency.

Transactions That Do Not Affect Taxable Income



Buying virtual currency with dollars and holding on to it.



Sending virtual currency to a different virtual wallet or account with the same owner.

Source: GAO analysis of Internal Revenue Service guidance. | GAO-20-188