



# Cryptocurrency Taxation

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# How is Cryptocurrency trading Taxed?

- ▶ Cryptocurrency is subject to taxation once the trade closes, the spot rate at the time in which the trade has been made would be used to calculate the gain on sale.
- ▶ If you had your cryptocurrency and it appreciated in value but was merely held and not traded than appreciation on the portfolio would be considered an “unrealized gain” and would not be subject to taxation.
- ▶ Depending on the duration held and sold the asset will determine how you will be taxed.
- ▶ Staking is treated as Interest Income

# Capital Gain

- ▶ A Capital Gain will be determined by the:

$$\text{Proceeds} - (\text{Cost Basis}) = \text{Capital Gain/Loss}$$

Short Term Capital Gains are Taxed As Ordinary Income and Long Term Capital Gains are taxed at a Separate Tax Rate

# How is Cryptocurrency trading Taxed? (Con't)

- ▶ If you are mining and simultaneously trading the same Bitcoin you are subject to double taxation.
    - ▶ Taxation as earned income upon mining
    - ▶ Taxation upon the selling the bitcoin which would be
- Cost Basis= Spot Rate Upon Acquisition & Proceeds = Spot Rate Upon Selling

# Example #1

- ▶ Mined on 01/01/2022: 1 Bitcoin @ \$40,292.60
- ▶ Sold on 03/01/2022: 1 Bitcoin @ \$36,000

Earned Income: \$40,292

Capital Loss: -\$4,292.60

Net Taxable Amount: \$35,999.40

# Example #2

- ▶ Mined on 01/01/2022: 1 Bitcoin @ \$40,292.60
- ▶ Sold on 03/01/2022: 1 Bitcoin @ \$41,000.00

Earned Income: \$40,292

Capital Gain: \$707.40

Net Taxable Amount: \$40,999.40

# Example #3

- ▶ Mined on 01/01/2022: 1 Bitcoin @ \$40,292.60
- ▶ Sold on 03/01/2023: 1 Bitcoin @ \$41,000.00

Earned Income: \$40,292

Capital Long Term Capital Gain: \$707.40

Net Taxable Amount: \$40,999.40

- ▶ 707.40 Portion will be taxed at Long Capital Gain



# How to Monitor Your Crpyto Activity for Taxation



Individual

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- ▶ Please Sign Up for TaxBit ([https://taxbit.com/ref?fp\\_ref=joshburnstech](https://taxbit.com/ref?fp_ref=joshburnstech)) and sync your accounts in the portal. At the end of the year it will prepare the proper documentation to file your taxes.

# Short Term Capital vs Long Term Capital Gain

- ▶ If you held and sold an asset long that one year you gains would be reported as a long term capital gain and if you held the shorter than one year than you would be subject to a short term capital gain.
- ▶ Short Term Capital Gains are taxed as Ordinary Income and Long Term Capital Gains are by the table below:

<b>Tax Percentage</b>	<b>Single</b>	<b>Married, Filing Joint</b>
0	\$0-\$41,675	\$0-\$83,350
15%	\$41,676 to \$459,750	\$83,351 to \$517,200
20%	\$459,751 or more	\$517,201 or more

# Income Tax Calculation Federal and California Example

	Income:	\$	500,000.00			
Tax Rate	Interval Min	Interval Max	Variance	Tax Base	Remainder	
10%	\$ -	\$ 20,550.00	\$ 20,550.00	\$ 2,055.00	\$479,450.00	
12%	\$ 20,551.00	\$ 83,550.00	\$ 62,999.00	\$ 7,559.88	\$416,451.00	
22%	\$ 83,551.00	\$ 178,150.00	\$ 94,599.00	\$ 20,811.78	\$321,852.00	
24%	\$ 178,151.00	\$ 340,100.00	\$ 161,949.00	\$ 38,867.76	\$159,903.00	
32%	\$ 340,101.00	\$ 431,900.00	\$ 91,799.00	\$ 29,375.68	\$ 68,104.00	
35%	\$ 431,901.00	\$ 647,850.00	\$ 215,949.00	\$ 23,836.40		
37%	\$ 647,851.00			\$ -		
				<b>\$ 122,506.50</b>		

	Income"	\$	500,000.00			
Tax Rate	Interval Min	Interval Max	Variance	Tax Base	Remainder	
1.00%	\$ -	\$ 17,618.00	\$ 17,618.00	\$ 176.18	\$482,382.00	
2.00%	\$ 17,618.00	\$ 41,766.00	\$ 24,148.00	\$ 482.96	\$458,234.00	
4.00%	\$ 41,766.00	\$ 65,920.00	\$ 24,154.00	\$ 966.16	\$434,080.00	
6.00%	\$ 65,920.00	\$ 91,506.00	\$ 25,586.00	\$ 1,535.16	\$408,494.00	
8.00%	\$ 91,506.00	\$ 115,648.00	\$ 24,142.00	\$ 1,931.36	\$384,352.00	
9.30%	\$ 115,648.00	\$ 590,746.00	\$ 475,098.00	\$ 35,744.74		
10.30%	\$ 590,746.00	\$ 708,890.00	\$ 118,144.00			
11.30%	\$ 708,890.00	\$ 1,181,484.00	\$ 472,594.00			
12.30%	\$ 1,181,484.00	\$ 1,999,999.00	\$ 818,515.00			
13.30%	\$ 2,000,000.00					
				\$ 40,836.56		

# Income Tax Calculation Pt 2.

	Income		\$ 1,000,000.00			
Tax Rate	Interval Min	Interval Max	Variance	Tax Base	Remainder	Column1
10%	\$ -	\$ 10,275.00	\$ 10,275.00	\$ 1,027.50	\$ 989,725.00	
12%	\$ 10,276.00	\$ 41,775.00	\$ 31,499.00	\$ 3,779.88	\$ 958,226.00	
22%	\$ 41,776.00	\$ 89,075.00	\$ 47,299.00	\$ 10,405.78	\$ 910,927.00	
24%	\$ 89,076.00	\$ 170,500.00	\$ 81,424.00	\$ 19,541.76	\$ 829,503.00	
32%	\$ 170,051.00	\$ 215,950.00	\$ 45,899.00	\$ 14,687.68	\$ 783,604.00	
35%	\$ 215,951.00	\$ 539,900.00	\$ 323,949.00	\$ 113,382.15	\$ 459,655.00	
37%	\$ 539,901.00			\$ 170,072.35		
			Sub:	\$ 332,897.10		

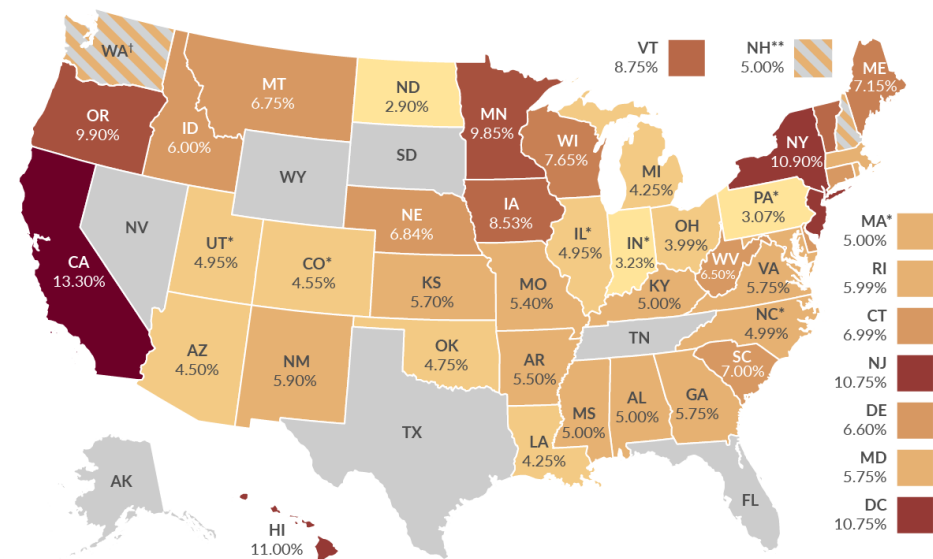
Income:		\$ 1,000,000.00				
Tax Rate	Interval Min	Interval Max	Variance	Tax Base		
1.00%	\$ -	\$ 17,618.00	\$ 17,618.00	\$ 176.18	\$ 982,382.00	
2.00%	\$ 17,618.00	\$ 41,766.00	\$ 24,148.00	\$ 482.96	\$ 958,234.00	
4.00%	\$ 41,766.00	\$ 65,920.00	\$ 24,154.00	\$ 966.16	\$ 934,080.00	
6.00%	\$ 65,920.00	\$ 91,506.00	\$ 25,586.00	\$ 1,535.16	\$ 908,494.00	
8.00%	\$ 91,506.00	\$ 115,648.00	\$ 24,142.00	\$ 1,931.36	\$ 884,352.00	
9.30%	\$ 115,648.00	\$ 590,746.00	\$ 475,098.00	\$ 44,184.11	\$ 409,254.00	
10.30%	\$ 590,746.00	\$ 708,890.00	\$ 118,144.00	\$ 12,168.83	\$ 291,110.00	
11.30%	\$ 708,890.00	\$ 1,181,484.00	\$ 472,594.00	\$ 32,895.43		
12.30%	\$ 1,181,484.00	\$ 1,999,999.00	\$ 818,515.00			
13.30%	\$ 2,000,000.00					

\$ 94,340.20

# State Income Tax Breakdown

## How High Are Individual Income Tax Rates in Your State?

Top Marginal State Individual Income Tax Rates (as of January 1, 2022)



Note: Map shows top marginal rates; the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included. Missouri's top marginal rate will be reduced to 5.3% if certain revenue triggers are met.

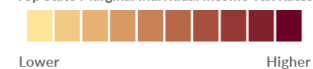
(\*) State has a flat income tax.

(\*\*) State only taxes interest and dividends income.

(†) State only taxes capital gains income.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg Tax.

Top State Marginal Individual Income Tax Rates

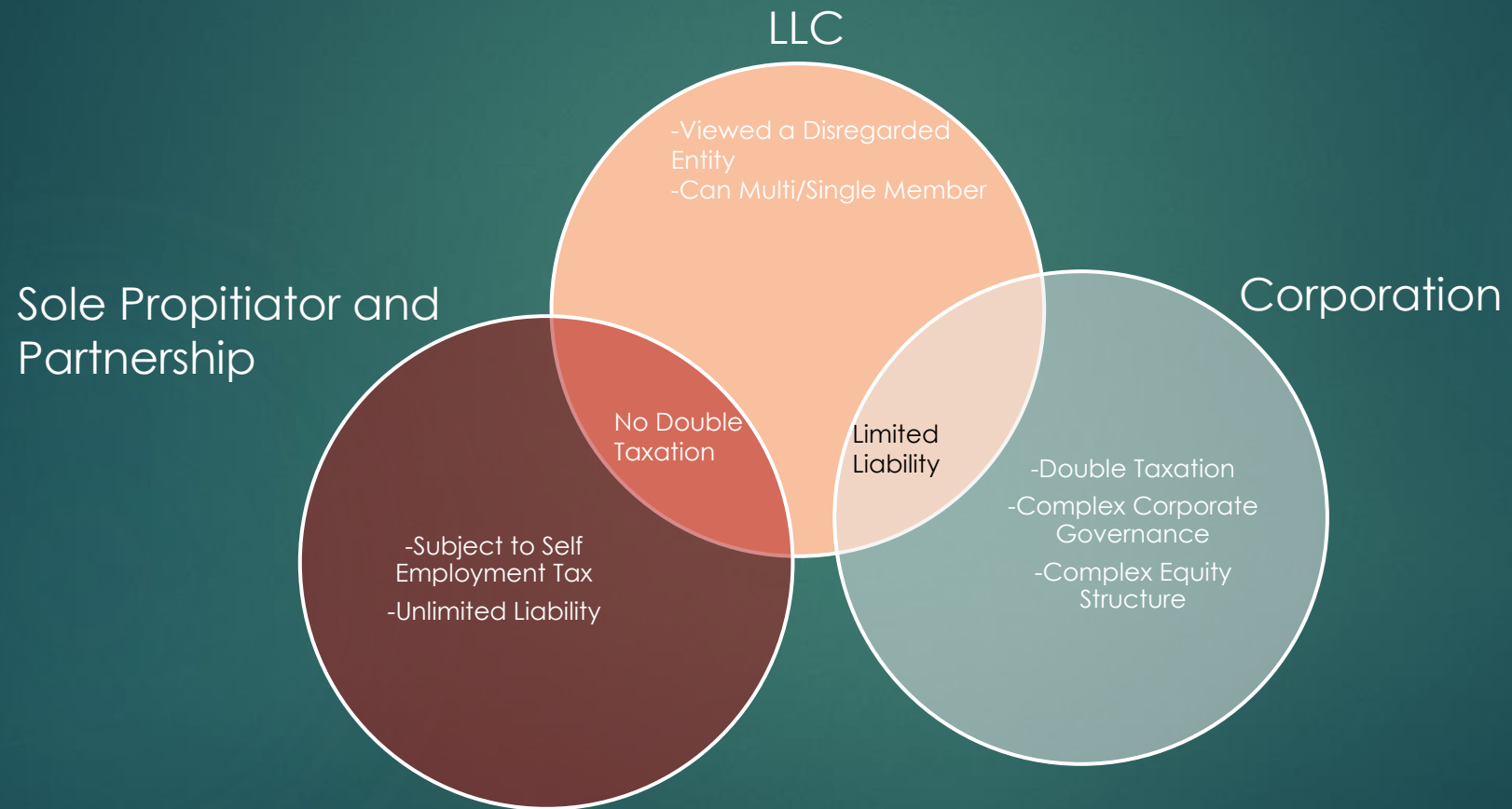


# States that do have No Income Tax

No Tax
Nevada
Wyoming
South Dakota
Texas
Tennessee
Florida
Alaska

# Determining the Proper Business Structure

- ▶ Sole Proprietorship – Easy to form but unlimited liability
- ▶ Partnership – Partnerships are easily broken, needs a strong operating agreement and unlimited liability.
- ▶ LLC – Great for
- ▶ C-Corp





# Forming an LLC in Business Friendly

State	Corporate Tax Rate	Individual Income Tax Rate	Sales Tax	Average Effective Property Tax Rate	Unemployment Rate
Wyoming	0.0000%	0.0000%	4.0000%	0.6100%	4.0000%
Alaska	9.4000%	0.0000%	7.0000%	1.1900%	7.3000%
South Dakota	0.0000%	0.0000%	4.5000%	1.3200%	3.2000%
Florida	5.5000%	0.0000%	6.0000%	1.0200%	3.8000%
Nevada	0.0000%	0.0000%	6.8500%	0.7700%	4.7000%
Montana	6.7500%	6.9000%	0.0000%	8.7000%	3.8000%
New Hampshir	7.9000%	0.7200%	0.0000%	2.1900%	2.7000%
Utah	5.0000%	5.0000%	6.8500%	0.6700%	3.0000%
Oregon	6% on first 1 million and 7.6% on 1 Million above	5% to 9.9%	0.0000%	1.2700%	4.0000%
Indiana	6.0000%	3.5400%	7.0000%	0.8700%	3.3000%