

Deposit to earn rewards

Sign up and deposit to receive up to **10,055 USDT** in bonuses.
Exclusive for new users only.

Get it now

[PDF Database Document] - BTCC Cryptocurrency Exchange

Original:

<https://www.btcc.com/en-US/academy/research-analysis/tax-issues-for-nft-artists-here-are-something-you-need-to-know>

Tax Issues for NFT Artists: Here are Something You Need to Know

As artists around the world are turning to NFT and blockchain technology to sell their art for a living, many of them want to know how to report their sales in their taxes. In this article, we're taking a closer look at it.



Are Artists' NFTs Subjected to Tax?

When you create NFTs as an artist, all NFTs you create and sell are taxed as ordinary income. In the real world, for example, if you sell a work of art as an ordinary income and tax it to someone. The same is true when selling your own NFT art.

It should be fully understood that all tax returns are based on the dollar price at the time of the transaction. This means that if you sell NFT at the price of one eth, and the value of eth is \$1500, you will get a total revenue of \$1500.

In addition, if you work with contractors and pay them in cryptocurrency through the blockchain, you still need to send 1099-nec to these people so that they can report their income to the IRS. Alex also suggested that there should be some kind of legal entity structure around it; "There is such a concern, especially in the PFP project of 10000 mints, whether to treat something as a security," Alex said. "So even if you are an artist and your only consideration may be the creative aspects of art and things, you also need to be aware of the impact of taxes and laws. Hey, I want to make an airdrop to all holders, which may cause problems," he explained.

Another thing NFT artists need to remember is: "if you work with international contractors or international artists, you need to be careful with any form of reporting, because it may be necessary for funds to cross international lines." Alex said.

Please remember that if you have a partnership or an S company, the tax should expire on March 15, 2022. For individual returns or if you have a company C, the tax should be paid before April 15, 2022.

As an NFT Artist, What is Tax Deductible?

As an NFT artist, your materials and supplies are considered tax deductible. Similarly, if you attend an online conference as a way to help sell your NFT art, it is also a deductible event. In addition, the gasoline expenses (coinage, sales and delivery) related to your NFT artwork can be reduced.

In addition, if you pay someone a commission or fee to set up a transaction for the occurrence of sales, it is also considered a tax deductible expense. The same is true for developers who write smart contracts. If they are contractors, the Contractor's services can be deducted.

Many artists may have legal currency based expenses, such as Internet services, marketing based expenses, advertising, etc. these expenses can also be reduced.

What Happened If You Don't Report Your NFT Income ?

Of course, many of you want to know what happens if you don't report the money you earn as an NFT artist? Who knows, right? Wrong!

If you're an NFT artist and you don't report your NFT sales, you're "opening a can of trouble," Alex said. By choosing not to report your NFT sales, you expose yourself to the opportunity that if the IRS decides to audit you, the possibility of fines and penalties for inaccurate reporting of your income will increase.

In other words, if you report your income, but it is not completely accurate, the possible fines and penalties imposed by the IRS will be much lower than not reporting your income tax at all.

"Choosing not to report your income tax at all is considered fraud, with fines of up to 25% per year and interest, possibly an additional 25% per year," Alex said.

In this way, I believe the most important thing from this article is that if you are an NFT artist, you not only need to be very considerate about everything you do, but also you need to ensure that you file your taxes accurately. At the end of the day, as a taxpayer, make sure you file your tax truthfully

and not someone else.