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2022 U.S. Crypto Tax Guide

Original:

<https://www.btcc.com/en-US/academy/research-analysis/u-s-crypto-tax-guide-2022>

It's getting to that time of year again when the IRS is looking for its pound of flesh from crypto investors. This article will explain how crypto is taxed in the United States and how to prepare for the crypto tax season.

Any U.S. citizen that dabbled in cryptocurrency over the 2021 tax year will now be expected to file a tax return to the IRS. Taxpayers can file their taxes between Jan. 24 and the April 18 deadline, with penalties issued for submissions made beyond the deadline.

Cryptocurrencies, including non-fungible tokens (NFTs), continue to be treated as "property" for the purposes of tax in the United States. This was originally decided by the IRS in a notice published in 2014 and means that a majority of taxable actions involving digital assets will incur capital gains tax treatment, similar to how stocks are taxed. Cryptocurrencies received from select activities, however, are treated as income and therefore subject to income tax treatment.

This guidance around taxable events has become murky over the last year, largely due to new activities related to decentralized finance (DeFi).

When do U.S. Citizens Need to Pay Crypto Tax?

Capital gains tax events involving cryptocurrencies include:

- Selling cryptocurrency for fiat (U.S. dollar, Japanese yen, etc.).
- Sending cryptocurrency as a gift (anything over \$10,055 for the 2021 tax year).
- Purchasing goods and services with cryptocurrency, even small purchases like buying a coffee.

- Trading or swapping one digital asset for another. This includes purchasing NFTs using cryptocurrencies.

It's worth noting you only owe tax on any capital gains you make from these events, not the full amount of disposed assets. This is calculated as the difference between the price paid for the asset and the price it was sold at.

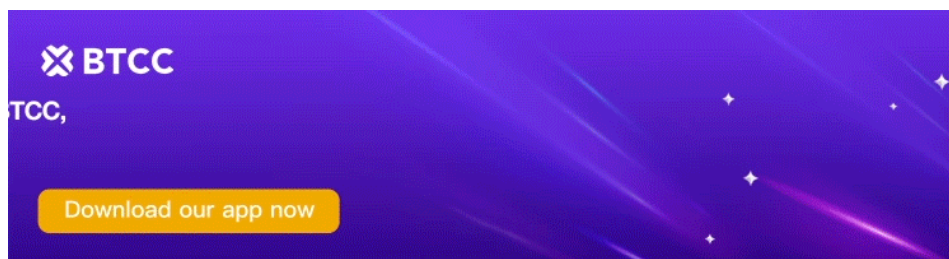
The IRS has also not yet provided clarity on whether minting tokens – including creating wrapped tokens, publicly minting NFTs or minting interest-bearing assets – creates a taxable event or not. Nor is it clear at this stage whether depositing or withdrawing liquidity from DeFi liquidity pools using liquidity provider (LP) tokens is considered a crypto-crypto transaction. Professional guidance should be sought if you've dealt with any of these assets or processes over the last tax year.

Income tax events include:

- Receiving cryptocurrency from an airdrop.
- Any crypto interest earnings from DeFi lending.
- Crypto mining income from block rewards and transaction fees.
- Crypto earned from liquidity pools and interest-bearing accounts.
- Receiving cryptocurrency as a means of payment for carrying out work, including bug bounties.

Interestingly, the tax laws surrounding crypto earned via staking remain unclear. For the most part, many report it as a mining income. However, there's an ongoing case against the IRS for staking rewards to be taxed only when they're sold – not when they're earned. The argument put forward by the plaintiffs in the case asserts newly created property, such as furniture or other manufactured goods, is usually taxable only at the point of sale. They believe this same principle should be applied to newly minted tokens received from staking.

Losses incurred from trading can be used to offset your capital gains as well as deduct up to \$3,000 off your normal income tax depending on how long you've held the assets for (see below). Any additional losses can be carried forward to the next tax year. You do, however, have to show a loss across all assets in a particular class to qualify for a capital gains reduction.



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How Much U.S. Crypto Tax You Need to Pay

Calculating how much cryptocurrency tax you owe in the U.S. is based on how long you've held the assets prior to disposing of them, as well as which income tax bracket you fall under.

This is divided into two parts:

- **Short-term capital gains:** Profits from a crypto asset held less than a year are taxed at the same rate as whichever income tax bracket you're in. Any losses can be used to offset income tax by a maximum of \$3,000. Any further losses can be carried forward.
- **Long-term capital gains:** For crypto assets held for longer than one year, the capital gains tax is much lower; 0%, 15% or 20% tax depending on individual or combined marital income.

How to Prepare for U.S. Crypto Tax Season

Preparing and filing your crypto taxes can be an arduous process, particularly if you've never done it before. The first step is the most important and the most time-consuming part of the filing process – collating all of your crypto activity.

For some, this might only involve logging one or two trades. But for more experienced investors who have dabbled in NFTs, yield farming, airdrops and other types of crypto trading, it can be a monumental task. That's why it's usually advisable to keep track of your trades as you go along throughout the tax year to prevent having to do it all in one go.

Once you've completed the first step, you'll then need to calculate any capital gains and losses. There are a number of platforms that can take care of this for you, some of which offer free trials

and may provide all you need to complete this next step.

From there, you'll need to fill in Form 8949 and add it to Form Schedule D. Any crypto assets earned as income need to be added to Schedule 1 Form 1040, and self-employed earnings from crypto need to be added to Schedule C.

Finally, submit your forms and pay whatever amount of tax you owe before the deadline.

Read more:

[UK Crypto Tax Guide 2022](#)

[Canada Crypto Tax Guide 2022](#)