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gains/loss reporting on virtual currency transactions.

Isaac M. O'Bannon • Aug. 19, 2014

Businesses and individuals who conduct transactions using Bitcoin or other digital currencies are often unsure how to properly manage and report those transactions. A new system called [LibraTax](#) has debuted to help these users, and financial professionals, easily calculate their tax obligations.

The cloud-based software accommodates TY 2013 and all previous-year digital currency users, including taxpayers who filed for extensions in spring 2014. It may also prove valuable to taxpayers who completed filing, but may choose to amend their returns if they discover that reportable capital gains may be significantly reduced with optimal accounting options.

The IRS gave guidance earlier this year instructing that digital currency should be treated as property for tax purposes. This requires that taxpayers report digital currency gains and losses on state and federal returns. Taxpayers and tax professionals alike have been uncomfortable and encumbered with this manual calculation because it is extremely time-consuming and prohibitively difficult. With its first-to-market and comprehensive solution, Libra automates the accounting process by retrieving the user's transaction history from the public ledger (called the blockchain) and synchronizing that with the digital currency's historical fair market value.

All types of taxable events are also accommodated, including income, gifts and donations. The software then automatically computes gains or losses by applying several optional cost-basis methods. In almost every case, the accounting method used can output a tremendously beneficial report to realize minimized or no reportable gains.

Company founder and CEO Jake Benson told *CPA Practice Advisor* that the company is

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In addition to LibraTax, the company is also developing a product suite for small business and enterprise needs. Of special interest to accountants and CPAs who are experienced with digital currencies will be Libra's CPA affiliate program which links them with individual or corporate taxpayers seeking professional help.

“Our primary objective is to have approachable, convenient software that simplifies the end-user experience associated with taxpaying—ultimately saving users precious time and money. We've accomplished that without a doubt,” Benson added.

Libra has received capital funding from [CrossCoin Ventures](#).

Accounting • Digital Currency

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