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practitioners regarding the tax treatment of a cryptocurrency hard fork. In addition, a set of FAQs address virtual currency transactions for those who hold virtual currency as a ...

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As part of a wider effort to assist taxpayers and to enforce the tax laws in a rapidly changing area, the Internal Revenue Service has issued two new pieces of guidance for taxpayers who engage in transactions involving virtual currency.

Expanding on guidance from 2014, the IRS is issuing additional detailed guidance to

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“The IRS is committed to helping taxpayers understand their tax obligations in this emerging area,” said IRS Commissioner Chuck Rettig. “The new guidance will help taxpayers and tax professionals better understand how longstanding tax principles apply in this rapidly changing environment. We want to help taxpayers understand the reporting requirements as well as take steps to ensure fair enforcement of the tax laws for those who don’t follow the rules.”

The new guidance supplements the guidance the IRS issued on virtual currency in [Notice 2014-21](#). The IRS is also soliciting public input on additional guidance in this area.

In Notice 2014-21, the IRS applied general principles of tax law to determine that virtual currency is property for federal tax purposes. The Notice explained, in the form of 16 FAQs, the application of general tax principles to the most common transactions involving virtual currency.

The IRS is aware that some taxpayers with virtual currency transactions may have failed to report income and pay the resulting tax or did not report their transactions properly. The IRS is actively addressing potential non-compliance in this area through a variety of efforts, ranging from taxpayer education to audits to criminal investigations.

For example, in July of this year the IRS announced that it began mailing educational letters to more than 10,000 taxpayers who may have reported transactions involving virtual currency incorrectly or not at all. Taxpayers who did not report transactions involving virtual currency or who reported them incorrectly may, when appropriate, be liable for tax, penalties and interest. In some cases, taxpayers could be subject to criminal prosecution.

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