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tax forms ahead of filing season.

**Jason Bramwell** • Jan. 23, 2024



In a news release today reminding taxpayers that they once again must answer a digital asset question and report all digital asset-related income when they file their 2023 income tax return, the IRS noted that it has included a crypto question on four additional tax forms ahead of filing season.

The tax agency said on Monday that it has reworded the question that had already appeared at the top of [Form 1040](#), *Individual Income Tax Return*; [Form 1040-SR](#), *U.S.*

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appropriate variations tailored for corporate, partnership, or estate and trust taxpayers:

At any time during 2023, did you: (a) receive (as a reward, award or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)?

The IRS defines a digital asset as “a digital representation of value that is recorded on a cryptographically secured, distributed ledger or any similar technology.”

Common digital assets include:

- Convertible virtual currency and cryptocurrency;
- Stablecoins; and
- Non-fungible tokens (NFTs).

Anyone who files Forms 1040, 1040-SR, 1040-NR, 1041, 1065, 1120, 1120, and 1120S must check one box answering either “Yes” or “No” to the digital asset question. The question must be answered by all taxpayers, not just by those who engaged in a transaction involving digital assets in 2023.

Normally, a taxpayer must check the “Yes” box if that person:

- Received digital assets as payment for property or services provided;
- Received digital assets resulting from a reward or award;
- Received new digital assets resulting from mining, staking, and similar activities;
- Received digital assets resulting from a hard fork (a branching of a cryptocurrency's blockchain that splits a single cryptocurrency into two);
- Disposed of digital assets in exchange for property or services;
- Disposed of a digital asset in exchange or trade for another digital asset;

- Sold a digital asset; or

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If an employee was paid with digital assets, that person must report the value of assets received as wages. Similarly, if the employee worked as an independent contractor and were paid with digital assets, he or she must report that income on [Schedule C \(Form 1040\)](#), *Profit or Loss from Business (Sole Proprietorship)*. Schedule C is also used by anyone who sold, exchanged, or transferred digital assets to customers in connection with a trade or business.

A taxpayer who merely owned digital assets during 2023 can check the “No” box as long as that person didn’t engage in any transactions involving digital assets during the year, according to the IRS. Taxpayers can also check the “No” box if their activities were limited to one or more of the following:

- Holding digital assets in a wallet or account;
- Transferring digital assets from one wallet or account they own or control to another wallet or account they own or control; or
- Purchasing digital assets using U.S. or other real currency, including through electronic platforms.

For a set of frequently asked questions (FAQs) and other details, visit the [digital assets](#) page on the IRS’s website.

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