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benefits.

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By Tor Constantino, Inc. (TNS)

During the past few months, the IRS has been touting the fact that it's upping its **cryptocurrency expertise** and crypto tax **enforcement game**. Coincidentally, the tax agency also issued a not-so-subtle reminder to digital asset holders that **they must continue** to report income from certain digital transactions this year.

Founders and entrepreneurs who own cryptocurrencies should discuss the following

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What's a taxable event in crypto?

Taxable events in the crypto world extend beyond simply converting digital currencies back to cash. Swapping one crypto asset for another, including stablecoins, can trigger a tax event, with the taxable amount depending on the initial cost basis of the asset sold. Surprisingly, buying digital tokens and moving them between exchanges or wallets are not considered taxable events. However, disposing of tokens at a profit or loss, receiving digital assets for goods or services, or earning crypto interest are taxable scenarios.

Does crypto offer any tax benefits?

For savvy investors, the volatility of cryptocurrencies can offer opportunities for tax minimization through loss harvesting. This is where a crypto holder can legally trade an asset that dropped any amount in price for another type of cryptocurrency or stablecoin. They can repurchase the original asset without a waiting period, unlike with traditional securities. This strategy allows for the intentional capturing of losses, reducing the overall tax liability.

Also, this year's tax code allows owners to take a loss of \$3,000 to offset other income from their business. If you had more crypto losses in 2023, the IRS allows you to stack those and carry those over into future years until the loss balance is zeroed out.

Is it tricky tracking and reporting crypto to the IRS?

Tracking and reporting cryptocurrency transactions for tax purposes has become more manageable with the advent of crypto-focused tax tracking software that links

directly to your crypto exchange account. These tools can automate the process,

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For specific crypto questions, it's best to get advice from tax professionals experienced in digital assets. Legge said effective tax management requires year-round focus, especially with the complexities introduced by cryptocurrency investments. Planning for the next tax season should start shortly after the current year's filing.

By staying informed and proactive, investors and entrepreneurs can position themselves to benefit from the opportunities presented by digital currencies while staying compliant with tax regulations.

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