

For federal tax purposes, digital assets are treated as property. General tax principles applicable to property transactions apply to transactions using digital assets. You may be required to report your digital asset activity on your tax return.

## Definition of Digital Assets

Digital assets are broadly defined as any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary.

Digital assets include (but are not limited to):

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

Digital assets are not real currency (also known as “fiat”) because they are not the coin and paper money of the United States or a foreign country and are not digitally issued by a government’s central bank.

A digital asset that has an equivalent value in real currency, or acts as a substitute for real currency, has been referred to as convertible virtual currency.

A cryptocurrency is an example of a convertible virtual currency that can be used as payment for goods and services, digitally traded between users, and exchanged for or into real currencies or digital assets.

## Tax Consequences

Transactions involving a digital asset are generally required to be reported on a tax return.

Taxable gain or loss may result from transactions including, but not limited to:

- Sale of a digital asset for fiat
- Exchange of a digital asset for property, goods, or services
- Exchange or trade of one digital asset for another digital asset
- Receipt of a digital asset as payment for goods or services
- Receipt of a new digital asset as a result of a hard fork
- Receipt of a new digital asset as a result of mining or staking activities
- Receipt of a digital asset as a result of an airdrop
- Any other disposition of a financial interest in a digital asset
- Receipt or transfer of a digital asset for free (without providing any consideration) that does not qualify as a bona fide gift
- Transferring a digital asset as a bona fide gift if the donor exceeds the annual gift exclusion amount