



Crypto Enforcement

December 28, 2021

Anybody who bought a dollar's worth of Bitcoins on or before May 2010 would have been sitting on a gain of \$6.7 million at various times this past fall, before the crypto markets crashed once again. Total market cap for all cryptocurrencies stands at \$2.5 trillion, which is apparently enough money to attract the attention of the Internal Revenue Service.

According to a recent article in the Wall Street Journal, the IRS wants to know how much money crypto investors have made and how to tax their gains. But at this point, it's hard to know exactly how it's going to proceed with enforcement; unlike traditional brokerage firms, crypto exchanges are not required to report their customers' transactions to any federal agency. Investors are on an honor system when it comes to reporting their transactions and capital gains on their tax forms.

In recent months, the IRS filed a lawsuit in an attempt to require several major crypto exchanges to hand over customer records. And there must be some mechanism for enforcement, because Bloomberg recently reported that in 2021, the IRS seized \$3.5 billion worth of crypto assets that it determined were obtained through a range of criminal activities this past year. Those crypto seizures made up an astounding 93% of the total assets seized by tax enforcement officials, reportedly in connection with wire fraud, money laundering, the distribution of illegal narcotics—and, yes, tax fraud. In one case, the IRS prosecuted a former Microsoft software developer who used cryptocurrency to hide \$10 million that he embezzled from the company.

Sources:

<https://www.wsj.com/articles/bitcoin-irs-comes-for-crypto-investors-who-havent-paid-their-taxes-11620937095>

<https://www.bloomberg.com/news/articles/2021-11-18/irs-sees-crypto-seizures-totaling-billions-of-dollars-next-year>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:(215)325-1595) or you can [click here to schedule a meeting](#).

Please feel free to forward this article and offer to anyone you know who might have financial questions or need some unbiased advice. Most financial advice is sales advice. In stark contrast, we are fee-only (non-commissioned) fiduciary advisors. We just provide truthful, unbiased advice to our clients.



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