

2022 TAX ORGANIZER SUPPLEMENT
DIGITAL ASSETS

PLEASE ANSWER THE FOLLOWING QUESTIONS, IF YOU ANSWER YES TO THE QUESTIONS BELOW, PLEASE PROVIDE THE REQUESTED INFORMATION

General Information Regarding Digital Assets

Definition of Digital Asset:

The IRS broadly defines digital assets as any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary of the Treasury.

Digital assets include (but are not limited to):

- Convertible virtual currency and cryptocurrency (e.g., bitcoin)
- 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.

Potential 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 real currency (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

General Tax Treatment: General tax principles applicable to property transactions (i.e., similar to stock transactions) apply to transactions using digital assets. The sale or other exchange of digital assets, or the use of digital assets to pay for goods or services, or holding digital assets as an investment, generally have tax consequences that could result in tax liability. When you sell or exchange digital assets, you must recognize any capital gain or loss on the sale, exchange, or disposition of the digital asset subject to any limitations on the deductibility of capital losses. If you held the digital asset for one year or less before selling or exchanging the digital asset, then you will have a short-term capital gain or loss. If you held the digital asset for more than one year before selling or exchanging it, then you will have a long-term capital gain or loss. The period during which you held the digital asset (known as the “holding period”) begins on the day after you acquired the digital asset and ends on the day you sell, exchange or dispose of the digital asset.

QUESTIONS REGARDING DIGITAL ASSETS:

Note: If you held digital assets in an exchange, you may be able to obtain the requested information from the exchange. For digital assets you held in a virtual wallet or otherwise you may have to generate the requested information from your personal records.

- (1) At any time during 2022 did you or your spouse (a) receive (as a reward, award, or payment for property or services) or (b) sell, exchange, gift or otherwise dispose of, a digital asset (or a financial interest in a digital asset)? Yes ____ No ____
- (2) During 2022 did you or your spouse have an account with a digital asset exchange, e.g., Coinbase, Kraken, Binance, FTX, etc. or other similar exchanges? Yes ____ No ____

If you answered **YES** to either question, you may have to report certain related information on your 2022 tax return and you may have incurred certain tax liabilities. Accordingly, please (1) read the following notes, (2) provide the requested information and (3) complete and sign the Acknowledgement below.

Engagement Note: *Depending upon your answers to the following questions Paul S. Marciano CPA, LLC (“PSMCPA”) may determine that your 2022 tax returns are too complex to complete. If PSMCPA makes that determination, PSMCPA will inform you that PSMCPA will not be able to complete your 2022 tax returns.*

Please provide the following information for EACH digital asset (including cryptocurrency) you or your spouse (if applicable) owned during 2022 (IF NECESSARY, USE ADDITIONAL SHEETS OF PAPER.):

- (1) Name and type of digital asset. Taxpayer: _____
Spouse: _____
- (2) When did you acquire the digital asset? Taxpayer: _____
Spouse: _____
- (3) How did you acquire the digital asset? Taxpayer: _____
Spouse: _____
- (4) What was the monetary value of the digital asset when acquired?
Taxpayer: _____
Spouse: _____
- (5) How did you dispose of the digital asset (e.g., sale, exchange, gift, etc.)?
Taxpayer: _____
Spouse: _____
- (6) When did you dispose of the digital asset? Taxpayer: _____
Spouse: _____
- (7) What was the monetary value of the digital assets when disposed?
Taxpayer: _____
Spouse: _____

(8) Did you or your spouse mine for and receive any digital asset as a result of such mining?

Taxpayer: Yes _____ No _____

Spouse: Yes _____ No _____

(9) How did you or your spouse hold the digital asset? Exchange? Virtual Wallet? Other?

Taxpayer: _____

Spouse: _____

(10) Was the digital asset held in the United States?

Taxpayer: _____

Spouse: _____

(11) As of 12/31/2022, how many digital assets did you hold in an exchange? In a virtual wallet? What was the money value of the digital asset held?

Taxpayer: _____

Spouse: _____

(12) During 2022, did you or your spouse hold any digital assets in a foreign bank, exchange or other account? If so, where, what digital asset and the monetary value of the digital asset?

Taxpayer: _____

Spouse: _____

PLEASE SIGN THE ACKNOWLEDGMENT BELOW

I/We, the undersigned, hereby understand, acknowledge and agree as follows:

1. I/We understand and acknowledge that I/we are required to report on my/our 2022 tax returns certain information if I/we received (as a reward, award, or payment for property or services) or (b) sold, exchanged, gifted or otherwise dispose of, a digital asset (or a financial interest in a digital asset). Accordingly, I/we authorize Paul Marciano, CPA LLC to include the information I/we have provided above on my/our 2022 tax returns.
2. I/We further understand and acknowledge that certain tax liabilities may result from the information and transactions I report on my tax return. The IRS or another tax authority may evaluate the information reported and may modify the calculation of any reported tax liability and/or may request additional supplemental information. In such case the IRS or other taxing authority will directly contact me/us, not Paul Marciano, CPA LLC, and that I/We will be solely liable for any additional tax liability, penalties, interests, or other costs assessed by the IRS or other tax authority and any expenses incurred by me/us in responding to any request for additional information by the IRS or other tax authority.
3. I/We further understand, acknowledge and agree that any amendment, modification or challenge to my/our tax return as duly prepared and filed by Paul Marciano, CPA LLC requested by me/us arising directly or indirectly from the information provided above or a change in such information will result in additional fees and charges payable to Paul Marciano, CPA LLC.

Date: _____ Taxpayer: (signature) _____
Print Name: _____

Date: _____ Spouse: (signature) _____
Print Name: _____