



- ▶ CRYPTO PART 2 ...1
- ▶ MONSTERS2

CKR Financial Services

monthly journal

HELPING OUR CLIENTS GAIN THE ADVANTAGE OVER THE COMPETITION

Before Cryptocurrency became popular, it was thought to be cashless, international, forgery-proof, and without tax implications, which is why many investors were delighted. That has since changed and the taxable events created by crypto exchanges are giving investors heartburn.

Cryptocurrency Part 2

Let's start with a review of terms from Part 1 and add some new items before getting into the tax implications.

Cryptocurrency – a virtual currency that is secured by cryptography.

Cryptography – a method of protecting information using codes derived from mathematical calculations called algorithms to basically transform communications into gibberish until received by someone with the passcode or key to decipher it.

Fiat currency – a government issued currency that is not backed by a commodity. Most fiat currencies are a type of representative currency.

Representative Currency – a medium of exchange that represents something of value but has little value on its own such as paper or metal. (Most Fiat Currencies utilize some sort of Representative Currency.)

Fungible – can replace or be replaced by another duplicate or interchangeable item.

Non-Fungible – is unique and does not interchange with a like item though it may be similar in appearance.

Non-Fungible Token (NFT) – cryptographic assets that cannot be replicated due to their unique codes or metadata that give them individual characteristics.

Blockchain – data that has been collected in groups, known as blocks, that are connected via cryptography in chronological order and shared among the nodes of a computer network. Different types of information can be stored on a blockchain, but the most common use has been as a ledger for transactions.

Nodes – refer to any physical device (computer, printer, modem, switch, server) that is able to send, receive, or forward information.

You may ask, "Why is all of this unseen, imaginary gobbledygook creating such a havoc?" Well, true it is unseen, but it is far from imaginary. When people spend or acquire money, you know the government wants to say it deserves taxes of some sort for the exchange. But there was also the very real awareness that these unseen exchanges were leading to money laundering as well as tax evasion. This triggered the IRS to find a way to make cryptocurrency accountable and taxable. In 2014, the IRS declared

cryptocurrency **property** rather than **currency**, and would be taxed as a capital gain or loss depending on the values when acquired and then sold.

So why did that surprise folks at tax time? Well, many people didn't realize when these laws went into effect. They thought that Cryptocurrency was still a wild frontier and they could mine it like the early settlers did gold and there would be no consequence. Secondly, they thought it would only trigger a taxable event when they divested themselves of their cryptocurrency for dollars and didn't realize that EACH and EVERY time they traded for other currencies, used crypto to buy a good or service, sold crypto for fiat currency, or bought, sold or traded an NFT, a taxable capital gain or loss would occur. AND when your crypto statement doesn't list an opening value from which to build cost basis, it is assigned a zero-cost basis which makes capital gains inescapable, or at least overstates them. THESE are the things moderate investors need to understand before entering into the Cryptocurrency market. There are only a few events that do NOT trigger a taxable event: buying cryptocurrency or an NFT with fiat currency, donating crypto to a tax-exempt organization, gifting cryptocurrency to anyone as long as the gift is no more than \$15,000, and transferring cryptocurrency from one wallet that you own to another wallet that you own. That's it. Otherwise, each transaction triggers a capital gain or loss, which is a taxable event. You can use losses on your tax return just as with any property exchange, but I want to be sure our clients understand the very real tax implications associated with cryptocurrency.



Witchy Poo Who?

Halloween is one of our favorite holidays at CKR Financial Services LLC. We enjoy a healthy curiosity about the unknown and have respect for the otherworldly. However, even I get spooked by some of these monsters. Be on the lookout!

“The universe is full of magical things patiently waiting for our wits to grow sharper.”

-EDEN PHILLPOTS

“It’s as much fun to scare as to be scared.”

-Vincent Price

Vampire – Someone who sucks the time and energy out of your life or business. This can be employees who make all too frequent trips to your office to share every infinitesimal item on their completed agenda under the guise of keeping you in the loop when it ends up being a grab for attention. It can be clients who try to keep you on the phone after getting their immediate question answered by coming up with new, unrelated questions that keep you out of your task list with a “well, since I have you on the phone...” This can be family members who keep interrupting your day with texts and calls that keep you from giving your concentrated effort to a task that would normally take 20 minutes and now that same task is taking you well over 50 minutes due to the interruptions. Vampires only come in if they are invited, so find ways to shut the door, cut off the phone, or put a garlic garland around your desk.

Headless Horseman – How can you run your business if you refuse to see what’s truly going on? I know many people in business who never review their financial records and have no idea where the business is headed. Or they know the business is struggling and simply refuse to see it. This can be employers who refuse to fire a nonproductive family member or entrepreneurs who keep buying equipment when there is no cash flow. Headless Horsemen eventually lose more than their heads; they end up losing their business because they refuse to see and then take appropriate action.

Mummy – Getting all wrapped up and no where to go... The Mummy gets overburdened with every bit of minutia: every problem, every detail, every question, every piece of advice be it good or bad. Taking on everything all at once makes it next to impossible to function

effectively. As a business owner, you must discern what items take priority and what advice works for your business. Also, you must have a team that can help shoulder the burden, if not on your payroll, then in your network of colleagues or friends. Start to unwrap the clutter, examine what is worth putting aside and what is worth keeping on – we don’t want you running around naked, after all.

Poltergeist – These folks make a lot of noise about nothing. Client, employee, friend, or family member, they end up creating distractions in the workplace. Similar to a Vampire, they suck up time and energy but mainly because you’re distracted and unfocused trying to determine what all the noise is about. Regain your focus, say a prayer, and tell the

poltergeist they have to live in peace or go somewhere else.

Scaredy Cat -Sometimes afraid of failure, sometimes afraid of success. You can’t live in paralyzing fear and move successfully on the business plane. Some folks are averse to sales, others to collections. As a business owner, you must do both. You must believe in your service or product enough to sell it to the man who has everything and you must collect from the goblins that would try to rob you from the fruits of your labor. This one takes some getting used to, which is why kitty has 9 lives!

Witch – What’s wrong with a progressive who understands the way the world works, whose spells open doors, who can charm a burly knight and can send dragons to do her bidding? They have definitely been given a bad wrap!



CKR FINANCIAL SERVICES

BOOKKEEPING, PAYROLL, CORPORATE AND INDIVIDUAL TAXES
HOW CAN WE HELP YOU?

CKR Financial Services
Your Partner in All Things Business

6540 South Pecos Road, Suite A-104 • Las Vegas, NV 89120 • (702) 463-0990