Beverly A. Emerson’s

Home Town Tax

118 West Third Street

Mount Vernon, IN 47620

(812) 838-8411

**Foreign Financial Accounts & Cryptocurrencies**

Dear Client(s)

Thank you for choosing Beverly A. Emerson’s Home Town Tax to assist you with your 2019 taxes. This letter is to inform you of the tax obligations associated with foreign financial accounts and cryptocurrencies.

**FOREIGN FINANCIAL ACCOUNT REPORTING**

Please note that any person or entity subject to the jurisdiction of the United States (includes individuals, corporations, partnerships, trusts, and estates) having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having a value exceeding $10,000 in a foreign country shall report such a relationship. Although there are some limited exceptions, filing requirements also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign account(s). For example, a corporate-owned foreign account would require filings by the corporation *and* by the individual corporate officers with signature authority. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties.

If you and/or your entity have a financial interest in any foreign accounts, you are responsible for providing our firm with all the information necessary to prepare FinCEN Form 114 (formerly Form TD-F-90-22.1) required by the U.S. Department of the Treasury on or before April 15th of this tax year. If you do not provide our [my] firm with information regarding any interest you may have in a foreign account, we [I] will not be able to prepare any of the required disclosure statements.

**CRYPTOCURRENCIES TAXATION**

Cryptocurrency is a digital or virtual currency. With the rapid fluctuation in value of virtual currencies and the ability to trade Bitcoin futures, the IRS is placing special scrutiny on these transactions.

The IRS has begun a letter campaign to taxpayers with known virtual currency holdings who may not have properly reported the transactions. The letters are: Letter 6174-A, Letter 6174, and Letter 6173. Let us know if you received one of these letters.

In general, here are some things to keep in mind:

* The IRS has determined that virtual currency is treated as property, not currency;
* For taxpayers who have held a virtual currency for more than a year, the gain will qualify for capital gains rates. Conversely, those with capital losses are subject to the $3,000 capital loss limitation;
* Wages paid to employees and payments made to independent contractors using virtual currency are taxable to the employee/worker;
* Taxpayers who “mine” the virtual currency must include in gross income the fair market value of the currency on the date it is mined. If the taxpayer is in the trade or business of mining currency and is not considered an employee, then the “mining” income is subject to self- employment taxes; and
* Taxpayers who receive virtual currency through an “airdrop” must include the value of the currency received in their income on the date of the airdrop.

Please advise us whether you have mined, bought, sold, sent, or received any virtual currencies in the last few years. This includes spending virtual currency to make a purchase, because this can trigger a reportable gain or loss. Every time bitcoin is used for a purchase you must compute the gain based on the transaction.

We want to make sure these transactions are correctly tracked and reported. Please do not hesitate to contact us with any questions.

For the current tax year do you own or have signature authority over any foreign financial accounts?

YES NO

For the current tax year have you mined, bought, sold, sent, or received any virtual currencies?

YES NO

To affirm that this letter correctly summarizes your understanding of foreign financial account reporting and cryptocurrency taxation obligations for your individual income tax return, sign the enclosed copy of this letter in the space indicated and return it to us.

Sincerely,

Beverly A Emerson

Home Town Tax

(Both spouses must sign for preparation of joint returns.)

Accepted By:

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Taxpayer

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Spouse

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Date