Tax Considerations for Your Brewery When Accepting Payment Via Cryptocurrency

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Brewers and other small businesses who accept cryptocurrency as payment for customer goods must be aware of the tax implications of such payments in cryptocurrency.

According to IRS Notice 2014-21, cryptocurrency is treated as property, not foreign currency for federal income tax purposes. If a taxpayer uses cryptocurrency to pay for other property in a business transaction (such as paying for beer or business supplies), the taxpayer must treat the transfer of such currency as a sale of property and recognize gain or loss on the currency's change in value. The type of gain (or loss) will depend on whether the cryptocurrency is a capital asset in the hands of the taxpayer. For many taxpayers, cryptocurrency will be a capital asset and any resulting gains or losses will be capital and either short or long-term using federal tax principles.

If a brewer accepts cryptocurrency for payment of a customer tab and then transfers the same cryptocurrency to purchase supplies for the business, it must track any capital gain or loss in the currency from receipt to subsequent transfer. Such businesses must balance these tax compliance costs against the potential financial benefits from accepting cryptocurrency for customer purchases. Accepting cryptocurrency for customer transactions instead of credit cards allows brewers and other businesses to avoid the credit card fees incurred on credit card payments made by customers.

Talk with your tax advisor to come up with effective compliance plans to track receipt and transfers of cryptocurrencies in your business if you are considering accepting cryptocurrency payments.