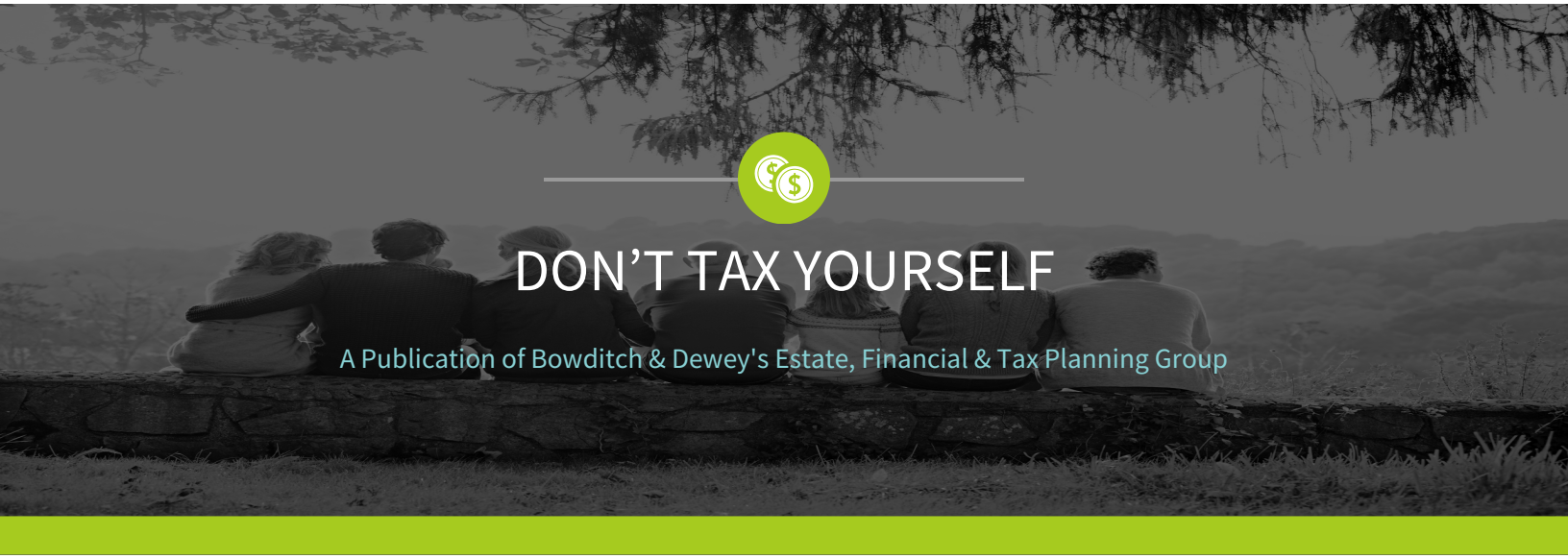

DON'T TAX YOURSELF

A Publication of Bowditch & Dewey's Estate, Financial & Tax Planning Group

Cryptocurrency in IRS Crosshairs

BY SCOTT C. CASHMAN • JULY 30, 2019

The Internal Revenue Service announced that it has recently sent out letters to taxpayers suspected of not reporting their cryptocurrency transactions.

The IRS expects that by the end of August, 10,000 taxpayers will receive these notices. These letters are a logical next step for the IRS in its Virtual Currency Campaign. More than a year and a half ago, we discussed the IRS' success at compelling virtual currency exchange Coinbase to turn over customer information.

It is likely the information the IRS has received from Coinbase and others has given it leads on taxpayers with unreported crypto transactions.

So what do you do if you receive one of these notices?

It depends. If you receive one of these notices and, after reviewing your tax returns, are confident that you reported all cryptocurrency transactions, you can rest easy and do nothing, or write the IRS explaining that you reported all of your transactions.

However, if you have not reported your cryptocurrency transactions, you are going to want to give serious thought to amending your tax returns and paying any tax due. Taxpayers who come forward before they are caught are often able to have some penalties waived.

Ignoring the notice is something that taxpayers will not want to do. If you are a recipient of one of these letters, the IRS has already received certain information on you, so ignoring the letter is not a good option.

©2025 Bowditch & Dewey LLP. All Rights Reserved.