

The Tax Code that could Affect the NFT and Crypto Marketplace discussed by Abraham Sutherland

Digital currency transactions (including NFTs) resulting in more than \$10,000 may have to be reported to the government

NEW YORK CITY, CA, UNITED STATES, November 19, 2021 /EINPresswire.com/ -- A Cryptocurrency Lawyer and Economics Specialist, Abraham Sutherland, recently spoke at the NFT NYC Conference to raise public awareness about an overlooked provision (amendment to tax code section 6050I) that could change the entire system for all Americans who invest in Cryptocurrency and NFT's. The full 14-page research report on the changes being proposed in the bill and how it will affect Americans can be found at <https://www.proofofstakealliance.org/wp-content/uploads/2021/09/Research-Report-on-Tax-Code-6050I-and-Digital-Assets.pdf>

At the time of this writing, the infrastructure bill was passed by the Senate and is pending in the House and could make receiving digital assets (whether that be cryptocurrency, NFTs, or any other digital asset) a felony if not reported correctly. "This violates the Fourth Amendment," said Sutherland. "It's impossible to comply with" and this could discourage people from using digital assets.

The proposed amendment to Section 6050I states, in a broad range of scenarios, "any person" who receives more than \$10,000 in digital assets must verify the sender's personal information, including Social Security number, and submit a report to the government within 15 days. Failure to comply results in mandatory fines. The proposal relies on a 1984 law written to discourage in-person cash transfers and encourage the use of financial institutions for large transactions.

The amendment to section 6045 and the amendment to section 6050I function differently but share similarities. Each impose onerous and even impossible demands on a greatly expanded group. Section 6045 does this through an irresponsible expansion of who counts as a "broker" in the context of digital assets.

Section 6050I, in contrast, imposes surveillance and reporting duties. In a broad range of scenarios, it requires any person who "receives" digital assets to report the sender's Social Security number and other sensitive information to the government. Ultimately, giving a decisive advantage to the existing, heavily-regulated financial intermediaries that are well-practiced in

reporting financial dealings to the government.

The surveillance and reporting duty in the proposed section 6050I applies to “any person.”

On its face, the value threshold for triggering the statute seems straightforward: \$10,000. But given the potential breadth of the operative legal term, “transaction” the threshold is anything but clear when applied to digital assets.

Unlike cash, a receipt of digital assets doesn’t require acceptance, as a recipient address on most public blockchain networks generally cannot reject a transfer of digital assets. This combination of the statute and technology means that potentially any digital asset receipt, regardless of dollar value, may turn out to be a reportable transaction.

When digital assets are received triggering the \$10,000 threshold, it will need to be reported within 15 days to avoid penalties and/or up to five years in prison.

Meaning the recipient of the digital assets, must verify and record the payer’s personally identifiable information, including full name, birth date, address, Social Security number, and occupation.

More specifically this means:

Verify the driver license or other ID of the human being who hands over the digital assets.

Record the tax ID and other information of the person or entity .

File the IRS Form 8300 including a description of the transaction and the digital assets received.

Mail the report to the government (or file it online with the Financial Crimes Enforcement Network) within 15 days of the transaction. By January 31, a Summary of Transactions Statement must be sent to every person reported during the previous year.

Finally, copies of these forms must be kept for five years.

The minimum fine for intentional or willful violations is \$25,000.

Only recipients are required to file reports, but the law also creates new crimes for any person who sends digital assets to others.

“At this point, we believe Congress should reject the section 6050I proposal and allow for fair and public debate. We are in a tough position because it was already passed by the Senate.”

The quiet insertion of the section 6050I amendment in a trillion-dollar spending bill is more than just another step down an already slippery slope. It aims to freeze the evolution of financial technology around existing institutions that serve the government’s interests in surveillance, without investigation of the law’s costs and consequences. Those costs and consequences include the direct costs to human dignity, autonomy, freedom to associate, and transact.

Rejecting the section 6050I proposal will not end this debate, just force it into the open. The challenges posed by digital assets are real and inevitable.

For many, the most salient feature of distributed ledger technology is its disintermediation. Neither a bank nor an in-person meeting is required to convey something of value to another person. But the broader technology of digital assets also contains tools that, in combination with law, can centralize authority and control over people and their transactions to an extent previously unimaginable.

This concern is not just hypothetical, as shown by China's ongoing experiment with a centralized and permissioned digital currency. The United States must chart its own course to address the promise and perils of this new technology, and that process must be transparent and respectful of Americans' rights and interests.

To share options and have a voice for this amendment, call, tweet, and email representatives in congress.

About Lee Richter: Lee Richter is an award-winning Global Leader, Visionary and Thought Leader recognized for being one of San Francisco's Top 100 Women Business Leaders for 7 years in a row and Top 100 Fastest Growing Businesses in the Bay Area for three years running. As an entrepreneur since 1998, Lee has built and sold several multi-million dollar companies, is a #1 best-selling author, an Abundance Studios™ Producer, and a member of the Forbes Business Council.

Expanding on her successful entrepreneurial journey, Lee utilizes her vast experience to inspire business leaders and entrepreneurs to realize the importance of NFTs and blockchain and to take action developing and implementing a successful strategy. To learn more about NFTs with Lee, please visit www.thegloballeaderscollective.com.

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