

# Cryptocurrency Guide

When filing your federal tax return, you must answer “Yes” or “No” to a question about digital assets. This example does not show a taxable sale of crypto, but rather, provides a good example of how you must report your cryptocurrency transactions regardless of whether a taxable sale occurs.

## Additional Information

### Tester Information

Check all that apply:

- ☐ Tester can be claimed as a dependent on someone else's return. [?](#)
- ☐ Tester was over age 18 and a full-time student at an eligible educational institution. [?](#)
- ☐ Tester is blind.
- ☐ Tester is deceased.
- ☐ Tester wishes to contribute \$3 to the Presidential Election Campaign Fund.
- ☐ Tester served in a combat zone during the current tax year. [?](#)
- ☐ Tester was affected by a natural disaster during the current tax year.
- ☒ Tester received, sold, or disposed of a digital asset (or financial interest in a digital asset) in the current tax year.
- ☐ Tester prefers to receive written communications from the IRS in a language other than English.
- ☐ Tester prefers to receive written communications from the IRS in an accessible format.

## Investments

Stocks, Mutual Funds, Cryptocurrency, Collectibles, etc.  
Form 1099-B or broker statements

BEGIN

### Other Capital Gains Distributions

Capital gains that are not reported on the other forms

BEGIN

### Capital Loss Carryover

Unused prior year capital loss

BEGIN

### Sale of Main Home Worksheet

1099-S/closing documents

[Learn More](#)

BEGIN

Form 8997 - Initial and Annual Statement of Qualified  
Opportunity Fund (QOF) Investments

BEGIN

# Example: Taxpayer's Form 1099-B

In this example, there are two digital assets listed: **BONK** and **DOGECOIN**. For the purposes of this guide, we will focus on **BONK** transactions.

CORRECTED ☐

Proceeds from Broker and Barter Exchange Transactions  
COPY B for RECIPIENT

TAX YEAR 2024

FORM 1099-B  
OMB No. 1545-0715

UPHOLD HQ, INC  
530 5TH AVENUE  
3RD FLOOR  
NEW YORK, NY 10036  
(845) 418-4001

Account No.   
Recipient's Tax ID -

Payer's Tax ID -

Short-term transactions on noncovered securities for which basis and holding period are not reported to the IRS. Proceeds are reported as gross proceeds unless otherwise indicated. The 1099-B data referenced by a Box Number is reported to the IRS. The additional information not referenced by a Box Number is not reported to the IRS but may be helpful to complete your return.  
(This label is a substitute for boxes 5, 6, 12).

Check if proceeds from collectibles (3) ☐

Description of Property, Symbol, CUSIP (1a)	Quantity (1a)	Date Acquired	Date Sold or Disposed (1c)	Proceeds (1d)	Cost or Other Basis	Accrued Market Discount (1f)	Wash Sale Loss Disallowed (1g)	Federal Income Tax Withheld (4)	State Tax Withheld (16)
BONK - BONK <div>Collectible <input type="checkbox"/></div>									
247246.19518		5/23/2024	6/20/2024	4.96	8.34	-	-	0.00	0.00
288452.4205		6/7/2024	6/20/2024	5.78	8.34	-	-	0.00	0.00
291467.7539		4/24/2024	6/20/2024	5.84	8.34	-	-	0.00	0.00
331679.47371		5/9/2024	6/20/2024	6.65	8.34	-	-	0.00	0.00
416362.75069		4/20/2024	6/20/2024	8.34	8.34	-	-	0.00	0.00
Sub-Total				31.57	41.70	-	-	0.00	0.00
DOGECOIN - DOGE <div>Collectible <input type="checkbox"/></div>									
47.98791595		5/23/2024	6/20/2024	5.70	8.34	-	-	0.00	0.00
48.94187231		4/20/2024	6/20/2024	5.81	8.34	-	-	0.00	0.00
50.12459777		4/24/2024	6/20/2024	5.95	8.34	-	-	0.00	0.00
122.53454827		5/18/2024	6/20/2024	14.56	19.20	-	-	0.00	0.00
54.06439642		6/7/2024	6/20/2024	6.42	8.34	-	-	0.00	0.00
54.75583373		5/9/2024	6/20/2024	6.50	8.34	-	-	0.00	0.00
Sub-Total				44.94	80.90	-	-	0.00	0.00

The first thing to take note of is the box highlighted in blue: **Short-Term**. This box explains that we have short-term digital asset transactions to report. Generally, sales/disposals of crypto follow similar rules to stocks and mutual funds:

- 1. **Short-Term:** Refers to digital assets you’ve held for one year or less before disposing, selling, trading, etc.
- 2. **Long-Term:** Refers to digital assets you’ve held for more than a year before disposing, selling, trading, etc.

Next thing to note are the items **highlighted in yellow**, in this case we see the information needed to report our Crypto Capital gains/losses transactions are found right here on our 1099-B:

<p><b>Description of property (1a)</b></p> <p>a. <b>Highlighted in green</b> on our 1099-B.</p> <p><b>Date Acquired (1b)</b></p> <p>a. <b>Highlighted in yellow</b> on our 1099-B.</p>	<p><b>Capital Gains Transaction</b></p> <p>Form belongs to: <b>Tester Sample</b></p> <p>Description of Property * <input type="text" value="BONK"/></p> <p><b>Date Acquired *</b></p> <p><input type="checkbox"/> Alternate Option: If Date Acquired is not known, leave the date blank and select an option here</p> <p>Date acquired * <input type="text" value="04/20/2024"/></p>
<p><b>Date Sold or Disposed (1c)</b></p> <p>a. <b>Highlighted in yellow</b> on our 1099-B.</p> <p>b. In this case our 1099-B indicated we had a Short-Term transaction, highlighted in blue. Make sure to check this yourself in Taxslayer.</p> <p><b>Sales Price or Proceeds (1d)</b></p> <p>a. <b>Highlighted in yellow</b> on our 1099-B.</p>	<p><b>Date Sold *</b></p> <p><input type="checkbox"/> Alternate Option:</p> <p><input checked="" type="checkbox"/> Check here if a short sale. ?</p> <p>Date sold * <input type="text" value="06/20/2024"/></p> <p><b>Sales Price</b></p> <p><input type="checkbox"/> * Alternate Option: If Sale Price is Expired, leave the sales price blank and select an option here</p> <p><input type="text" value="\$32.00"/></p>

## Cost Basis or other Basis (1e)

a. You will be given a dropdown box to answer the cost basis question. The reason we know for sure that our cost basis is reported to the IRS is because the 1099-B states this. You can see this by reading the first box, circled in red.

b. **Highlighted in yellow** on our 1099-B.

### Select cost basis type \*

- Please Select -

✓ 1099-B, Box 12 Cost Basis Reported to the IRS

1099-B, Box 12 Cost Basis NOT Reported to the IRS

Did not receive Form 1099-B

☐ Partnership Interest?

## Cost

☐ \* Alternate Option: If Cost is Expired, leave the cost blank and select an option here

\$42.00

## Adjustments and Collectible Exchanges

This section may or may not apply, depending on your particular situation. The best thing you can do is look closely at your issued 1099-B and reach out to your broker with any questions. We've checked option M because the numbers we put in for our proceeds and cost basis are the sub totals of all our crypto transactions for that particular coin. You are welcome to also put them into the software individually if you prefer but that usually is not necessary.

## Adjustments

Enter any necessary adjustments to Gain or Loss

NOTE: If this entry is to be shown as a loss, please enter a negative sign before the number.

\$

If you entered an adjustment amount above, please select all adjustment explanations that apply

- ☐ B - Form 1099-B with Basis shown in Box 1e is Incorrect
- ☐ C - Disposed of Collectibles
- ☐ D - Form 1099-B showing accrued market discount in box 1f
- ☐ E - Form 1099-B or 1099-S with Selling Expenses or Options not Reflected on Form
- ☐ H - Exclude Some/All of the Gain from the Sale of Your Main Home
- ☐ L - Nondeductible Loss other than a Wash Sale
- ☒ M - Reporting Multiple Transactions on a Single Row
- ☐ N - Received 1099-B/1099-S as a Nominee for the Actual Owner of the Property
- ☐ O - Other Adjustment Not Explained Above
- ☐ Q - Exclude Part of the Gain from the Sale of Qualified Small Business Stock
- ☐ R - Rollover of Gain from QSB Stock, Empowerment Zone, Publicly Traded Securities
- ☐ S - Loss from the Sale of Small Business Stock more than Allowable Ordinary Loss

### Collectible Exchange (3):

You will notice we left this section blank because we did not have a collectible exchange. If we did, the boxes within the **purple circles** would be checked.

Collectibles are relevant to long-term sales or exchanges which is probably why we do not have it checked since our 1099-B displays short-term transactions.

An exchange in cryptocurrency simply means where the crypto was purchased, and a collectible in tax terms is usually when something especially unique or rare is purchased, sold, or exchanged. For crypto it could be digital art or even a video.

- ☐ T - Form 1099-B & Type of Gain/Loss shown in Box 2 is Incorrect
- ☐ W - Nondeductible Loss from a Wash Sale
- ☐ X - Exclude Gain from DC Zone Assets or Qualified Community Assets
- ☐ Y - Reporting Gain from QOF Investment in Prior Tax Year
- ☐ Z - Postpone Gain for Investments in QOFs

### Collectible Exchange

- ☐ Is this a Collectible Exchange? [?](#)

**Follow the steps above for each digital asset held. According to our 1099-B, we would repeat these steps for Dogecoin.**

Last items to pinpoint are those **highlighted in pink**:

1. Federal Income Tax Withheld (4)
2. State Income Tax Withheld (16)

Both of these columns are showing a 0 which means our 1099-B is showing non-taxable crypto transactions.