

**Congress of the United States**  
**Washington, DC 20515**

June 2, 2017

Commissioner John Koskinen  
Internal Revenue Service  
1111 Constitution Ave, NW  
Washington, D.C. 20224

Dear Commissioner Koskinen,

We are writing to you to urge the Internal Revenue Service (IRS) to issue additional guidance on the tax consequences and basic tax reporting requirements for transactions using virtual currencies. While the IRS has taken steps to provide some information to tax payers regarding the tax treatment of virtual currency, additional information and guidance could assist businesses that facilitate virtual currency transactions and purchases and individual tax payers to increase reporting on income gained or loss on virtual currency transactions.

The IRS has been engaged in understanding the complex issues that surround virtual currencies and tax compliance risks since 2007. Since the IRS's Electronic Business and Emerging Issues (EBEI) policy group identified that there may be tax consequences related to virtual currency transactions and the current policies may lead to underreporting of those tax consequences, the IRS posted information about virtual currency on its website. In 2014, the IRS issued an additional notice to provide answers to Frequently Asked Questions (FAQs) about the tax implications and consequences of virtual currency.<sup>1</sup> In this notice, the IRS classified virtual currency as property and explained how a taxpayer may have taxable income as a result of different types of transactions. As a result of Notice 2014-21, taxpayers were required to report to the IRS taxable income resulting from various virtual currency transactions, including reporting virtual currency as part of taxable wages; the realization of gross income if virtual currency is successfully mined; or the realization of capital gains or losses as a result of a sale or exchange of virtual currency if held as a capital asset.

In 2016, the Treasury Inspector General for Tax Administration (TIGTA) recognized the growth in the use of virtual currency and reviewed the IRS's strategy for addressing income produced through virtual currencies.<sup>2</sup> The Inspector General for Tax Administration took the opportunity to review 36 public comments received by the IRS and identified three primary issues where it would be helpful for the IRS to provide additional, detailed guidance about recordkeeping and tax compliance in the area of virtual currency transactions.<sup>3</sup> Further, the Inspector General

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<sup>1</sup> IRS Virtual Currency Guidance: Virtual Currency is Treated as Property for U.S. Tax Purposes; General Rules for Property Transactions, IR 2014-21 (March 2014).

<sup>2</sup> Treasury Inspector General for Tax Administration, *As the Use of Virtual Currencies in Taxable Transactions Becomes More Common, Additional Actions are Needed to Ensure Taxpayer Compliance* (Sept. 2016), Ref. No. 2016-30-83.

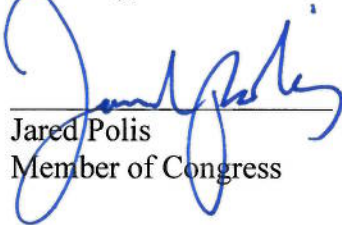
<sup>3</sup> *Ibid*, pg. 10.

recommended that the IRS should revise third-party information reporting documents to identify the amounts of virtual currency used in taxable transactions.<sup>4</sup>

We encourage the IRS to consider the recommendations of the TIGTA and take action based on those recommendations to increase taxpayer compliance with Notice 2014-21. Further, we encourage the IRS to engage with virtual currency exchanges to better understand their ability to engage in information reporting, including recordkeeping to track realized gain or loss and identify the amounts of virtual currency used in taxable transactions.

Thank you for considering this very important issue and we look forward to your response. If you have additional questions about this letter, please feel free to contact Hilary Gawrilow ([hilary.gawrilow@mail.house.gov](mailto:hilary.gawrilow@mail.house.gov)) with Rep. Polis or Tommy Leander ([tommy.leander@mail.house.gov](mailto:tommy.leander@mail.house.gov)) with Rep. Schweikert.

Sincerely,



Jared Polis  
Member of Congress



David Schweikert  
Member of Congress

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<sup>4</sup> *Ibid*, pg. 16.