

This guide gives you the core strategies every business owner needs to understand before diving into Bitcoin and cryptocurrency from a tax-savvy perspective. Here's a quick, high-value summary to guide your decisions:

1. Bitcoin 101 – Economic Basics & Tax Treatment

Bitcoin is treated as property by the IRS—not currency.

- Capital gains apply when you sell, trade, or convert.
- Holding over 12 months qualifies for lower long-term capital gains tax rates (0%, 15%, or 20%).
- Businesses can use Bitcoin as a reserve asset or investment tool to diversify holdings.

Strategy Explained: Hold Bitcoin on your business balance sheet as a long-term asset. If sold after 12 months, the tax is lower than ordinary income rates.

Tax Efficiency: Defers taxation until sale and reduces tax rate if held long-term.

2. Bitcoin Mining – Business or Hobby?

- Mined crypto is taxed as ordinary income at fair market value when received.
- Treat mining as a business to qualify for deductions on expenses such as:
 - Mining equipment (e.g., ASICs, GPUs)
 - Electricity and internet
 - Home office or hosting services
 - Setup and maintenance costs
- Business owners benefit most when mining is operated through an LLC or S Corp.

Strategy Explained: If structured as a business, mining income is deductible against business expenses.

Tax Efficiency: Converts taxable income into deductible business activity, reducing net taxable income.

3. Investing in Bitcoin via SDIRA or Solo 401(k)

- Self-Directed IRAs and Solo 401(k)s allow crypto investing within retirement accounts.
- Traditional = Pre-tax contributions, tax-deferred growth.
- Roth = After-tax contributions, tax-free withdrawals.
- Solo 401(k)s allow higher contributions and checkbook control.

Strategy Explained: Use retirement accounts to invest in crypto without triggering capital gains taxes.

Tax Efficiency: Tax-deferred or tax-free growth depending on account type. Ideal for aligning with high-profit years and long-term wealth building.

4. Tax Efficiency with Bitcoin & Crypto – Smart Moves

- **Hold long-term for capital gains rates:** Minimize taxes on gains by holding over 12 months.
- **Harvest losses:** Sell crypto at a loss to offset gains from other assets.
- **Donate appreciated crypto:** Receive a full deduction and avoid capital gains tax.
- **Gift under IRS limit (\$19,000 in 2025):** Shift wealth tax-free without gift tax reporting.
- **Use tax-advantaged accounts:** Invest via SDIRA/Solo 401(k) to grow crypto wealth with tax efficiency.

Strategy Explained: Combine investment timing, gifting, charitable donations, and retirement vehicles to reduce your tax burden.

Tax Efficiency: Enhances deductions, avoids gains taxes, and uses legal IRS rules to build wealth strategically.

5. Recordkeeping & Compliance Must-Haves

- Track cost basis, acquisition/disposition value, and dates.
- Use crypto tax tools: Koinly, CoinTracking, TaxBit.
- File correct IRS forms:
 - Form 8949 (capital gains/losses)
 - Schedule D (summary)
 - Form 709 (gifts over exclusion limit)
 - Form 1099 (crypto payments to contractors)

Strategy Explained: Accurate tracking and compliance prevent penalties and audit issues.

Tax Efficiency: Keeps your deductions and gains reporting defensible and clean.

6. Work with Your Tax Strategist CPA to Build a Tax-Smart Wealth Plan

- Proactive planning saves more than reactive corrections.
- Tailor crypto strategies to your business entity, income timing, and tax bracket.

Strategy Explained: Bring your tax advisor into the conversation before making decisions.

Tax Efficiency: Avoids surprises and aligns crypto with a comprehensive business wealth plan.

Next Step: **Book Your Crypto Tax Strategy Assessment Call** - Let our team help you apply these strategies based on your specific goals.

Click the button or scan the code to schedule a call

