

PERSONAL FINANCIAL PLANNING LLC

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If you don't know where you are going, you'll end up someplace else.

Yogi Berra

You say Bitcoin, I say bitcoin

Bitcoin is capturing the attention of people, governments and businesses around the world. But what is it? Is it currency or property? Can it be taxed and tracked?

Actually, there are two different bitcoins. Bitcoin with a capital “B” is the Bitcoin protocol, whereas bitcoin with a lower “b” is the currency. Bitcoin, the protocol, defines how bitcoin behaves, how it’s transferred, where it’s stored and what protects it. Bitcoin, the currency, can be traded between people and businesses, is stored in a “wallet” and has a discrete value per unit.

Until recently bitcoin has been treated primarily as property, not currency. But in September, El Salvador became the first world economy to make bitcoin legal tender, requiring businesses to accept bitcoin for goods and services. And several other countries are poised to follow.

In the U.S., taxpayers must report bitcoin transactions for tax purposes, meaning the IRS treats it as a capital asset, with realized gains and losses on a sale or exchange. That’s something to keep in mind if you decide to invest in Bitcoin . . . or bitcoin.



BUILD BACK BETTER BREAKS DOWN

As of this writing the \$3.5 trillion legislation package known as the Build Back Better Act does not appear to have enough support in the Senate to pass. The package contains significant changes to domestic programs meant to improve the social safety net, promote green energy and alter retirement planning. The cost of the bill is funded through a variety of tax increases that include:

- An increase in the top individual tax rate to 39.6% for single taxpayers with incomes in excess of \$400,000 (\$450,000 for married filing jointly),
- An increase in the capital gains tax rate to 25% for those same high-income taxpayers, and
- A return to a graduated income tax for corporations, including an increase in the top rate to 26.5%

The proposal would also prohibit contributions to an IRA if the value of the IRA exceeds \$10 million, and it would eliminate Roth conversions for high-income taxpayers.

