The IRS uses the term “virtual currency” to describe the various types of virtual currency that are used as a medium of exchange, such as digital currency and cryptocurrency. Regardless of the label applied, if a particular asset has the characteristics of virtual currency, it will be treated as virtual currency for federal income tax purposes.

Virtual currency transaction reporting

When you sell, exchange, or use virtual currency, to pay for goods or services, or otherwise dispose of virtual currency, you must report this to the IRS. For more information on capital assets, capital gains, and capital losses, see Publication 544, Sales and Other Dispositions of Assets.

Record keeping

You must maintain records documenting receipts, sales, exchanges or other dispositions of virtual currency and the fair market value of the virtual currency.

Visit the virtual currencies page on IRS.gov for more information.