

**Office of Chief Counsel  
Internal Revenue Service  
Memorandum**

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subject: Taxation of Virtual Currency Received in the Crowdsourcing Labor Market

This memorandum responds to your request for advice regarding the tax consequences for an individual who receives convertible virtual currency for performing microtasks through a crowdsourcing or similar platform.

**ISSUE**

Is convertible virtual currency received by an individual for performing a microtask through a crowdsourcing or similar platform taxable income?

**CONCLUSION**

Yes, a taxpayer who receives convertible virtual currency in exchange for performing a microtask through a crowdsourcing platform has received consideration in exchange for performing a service, and the convertible virtual currency received is taxable as ordinary income.

**FACTS**

A variety of digital platforms now enable individuals or entities to “crowdsource” jobs by using the Internet to outsource assignments to an undefined and often large group of

other individuals or entities. A crowdsourcing arrangement may involve three parties referred to in this memorandum as vendors, firms, and workers. Vendors develop a platform upon which firms can broadcast their tasks and workers can accept, perform and/or submit the work.

Certain crowdsourcing platforms specifically facilitate the practice of microtasking, which may involve subdividing larger tasks into smaller tasks and distributing the tasks via online crowdwork platforms. In general, microtasks are simple, menial activities that still require some degree of human interaction beyond the current ability of artificial intelligence.

Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account, and a store of value other than a representation of the U.S. dollar or a foreign currency. Notice 2014-21; Rev. Rul. 2019-24. Virtual currency that has an equivalent value in real currency, or acts as a substitute for real currency, such as Bitcoin, is referred to as “convertible” virtual currency and is considered property for federal income tax purposes. Notice 2014-21. Accordingly, general tax principles applicable to property transactions apply to transactions involving convertible virtual currency. Id.

Certain microtasking platforms allow those who perform microtasks to receive payments in consideration for completing each microtask in the form of convertible virtual currency. For example, a firm may offer to pay workers in units of Bitcoin or other convertible virtual currency if the worker processes data or reviews images. Other examples include an offer of convertible virtual currency in exchange for downloading a particular app from an app store and leaving a positive review including a comment, downloading games and reaching certain milestones, completing online quizzes and surveys, or registering accounts with various online services. These types of microtasks may provide individuals with “rewards” in the form of convertible virtual currency. The value of convertible virtual currency paid in exchange for a single microtask often is a small amount that may be less than \$1.

## **LAW AND ANALYSIS**

Section 61(a)(1) provides that, except as otherwise provided by law, gross income means all income from whatever source derived, including compensation for services. Under § 61, all gains or undeniable accessions to wealth, clearly realized, over which a taxpayer has complete dominion, are included in gross income. See Commissioner v. Glenshaw Glass Co., 348 U.S. 426, 431 (1955). Section 83(a) provides in general that if, in connection with the performance of services, property is transferred to any person other than the person for whom such services are performed, the excess of the fair market value of the property over the amount (if any) paid for the property, shall be included in the gross income of the person who performed such services in the first taxable year in which the rights to the property are substantially vested. In general, income is ordinary unless it is gain from the sale or exchange of a capital asset or a

special rule applies. See, e.g., §§ 1222, 1231, and 1234A. Section 1401 imposes a tax on the self-employment income of individuals.

Because the term “service,” for purposes of § 61, is not defined in the Code, the term should be construed “in accord with its ordinary or natural meaning.” Smith v. United States, 508 U.S. 223, 228 (1993). A taxpayer who performs a task through a crowdsourcing platform, including a microtask, has performed a service for the party that requested the task with the expectation that he or she will receive compensation. If the taxpayer receives convertible virtual currency for performing the task, regardless of the value and the manner in which it is received, then the taxpayer has been compensated with property. See Notice 2014-21. The convertible virtual currency received must be reported on the taxpayer’s income tax return as ordinary income and may be subject to self-employment tax. See §§ 61, 83, and 1401.

Please contact James Yu at (202) 317-4718 if you have any questions.