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Crypto Taxes Are Due July 15, but Be Careful — You May Need More Time

The Internal Revenue Service has already changed its deadlines to July 15, so if you are not ready to file your crypto taxes in a month, you should ask for an extension.



EXPERT TAKE

Tax day this year, like everything else, is different. The United States [Internal Revenue Service has rescheduled it to July 15](#), but there's little time left to get your records together and to file. Everyone knows the IRS is pushing hard to scrutinize crypto. A new IRS question [appears at the top of Schedule 1 of your 2019 Form 1040](#) asking if you received, sold, sent, exchanged or otherwise acquired any financial interest in any virtual currency at any time during the year.

As the IRS classifies crypto as property, [any sale should produce a gain or a loss](#). Perhaps the IRS is just surveying who is using crypto, you might guess, but a simple “yes” or “no” can turn out to be pretty important. The question could set you up for facing big penalties or even committing perjury. Instead of rushing to file your taxes, should you take an extension to Oct. 15?

For many, I say: “Yes.” It is automatic on request and incredibly easy to do. But should you take advantage of the extra time? It is tempting to succumb to the allure of the extra months, but there are those nagging questions. If you extend, do you increase your odds of an audit? Conversely, maybe you actually decrease your audit odds — or are they the same?

There’s no shame in an extension. Millions of them are processed every year. Everyone can automatically get an extension until Oct. 15 by filing a short form electronically or by mail. It doesn’t even require a signature. It couldn’t be easier.

Of course, the extension is just to file your tax return; it is not an extension of when you have to pay. Thus, this year you still need to pay by July 15 — normally by April 15 — what you expect to owe when you actually file your taxes later in the year, which can be done anytime up until Oct. 15. But are there good reasons to take the extension? You bet.

Do you have all the forms you need, such as [Form 1099-K](#)? How about [K-1s](#) from all partnerships and limited liability companies? They have an annoying habit of showing up late, and they are often amended. That can be a big reason to extend. Besides, taking an extension encourages reflection. Many returns filed right at the deadline are completed in haste, some carelessly. And that can bring on an audit.

Extensions allow time to gather records, consider reporting alternatives and get professional advice. Remember, tax returns must be signed and filed under penalty of perjury. It is best to file accurately so you don’t have to amend later. Amended returns often come about because people are in a rush. Amending a return isn’t necessarily bad, but amended returns are much more likely to be scrutinized. File once correctly so that you do not need to do it again.

The IRS doesn’t even have to approve the extension. It is automatic, and there is no discretion involved. You automatically get the extra time. This year, everyone got an automatic reprieve until July 15, but extending gives you until Oct. 15. Once you extend, you can file whenever you would like on or before Oct. 15. That time comes in useful in other ways too.

Taking an extension allows for corrected 1099 and K-1 forms. You may be waiting for K-1 forms, gathering documents or seeking professional advice. If there are debatable points on your return, take the time to get some professional advice. Even if you have all

your forms ready, what if you receive a K-1 or 1099 form after you file? It happens a lot. Taking an extension makes it less likely that you will be surprised by a tardy corrected Form K-1 or Form 1099.

There are plenty of stories about audit risk. The IRS does not release data about whether taking an extension increases or decreases your chances. Some people say that taking an extension increases audit risk, while some people say the opposite. There appears to be no hard evidence to prove either theory.

No one wants an audit. I say extensions encourage reflection and care, and that alone reduces audit risk. To extend, you can submit a [Form 4868](#), ask your tax return preparer, use commercial software or do it yourself electronically. Be careful out there.

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