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# How To Transfer Bitcoin Without Triggering Taxes

2017 may have been the year of the crypto investor, and returns were beyond heady. But it's 2018 now, and interest in crypto remains high. It may even be more mainstream now than it was last year. Taxes are a worry of course, and they are arguably more difficult than last year. For one, it is clear that so-called 1031 tax-free exchanges can no longer be used for crypto. There any other ways to transfer crypto without triggering taxes, but there is no silver bullet. Still, there are some worth considering the right facts. For example, how about gifts?

You can give crypto as a gift, and it doesn't trigger income taxes. That's right, no income tax to you as the donor, and no income tax to the recipient. Of course, when the recipient transfers or sells it, there would be income taxes *then*. And at that point, the donee would need to calculate gain or loss. What is his or her tax basis, since it was a gift? The tax basis is the same as it was in your hands when you made the gift.

However, keep in mind that to avoid income taxes, a gift has to *really* be a gift. The tax law is littered with cases of people who claimed something was a gift, but who got stuck with income taxes. With gifts not being subject to income taxes, it can seem tempting to try to characterize money or property you receive as gifts. But be careful: the IRS hears this ‘it was a gift’ excuse a lot. And the IRS is unlikely to be persuaded unless you can document it.

Plus, the IRS usually expects a gift to occur in a normal gift-like setting. For example, if an employer or former employer gives a loyal employee $10,000 is that a gift? No, it is a bonus, treated as wages. Even trying to document it as a gift may not change that result. True gifts may not trigger any *income* taxes, but there could be *gift* taxes involved. If you give crypto to a friend or family member—to anyone really—ask how much it is worth. If the gift is worth more than $15,000, it requires you to file a gift tax return. For 2018, $15,000 is the amount of so-called “annual exclusion.” You can give gifts up to this amount each year to any number of people with no reporting required.

Any gifts over that $15,000 amount require a gift tax return, even though you may not have to pay any gift tax. Rather than paying gift tax, you normally would use up a small portion of your lifetime exclusion from gift and estate tax. For 2018, that number went up dramatically. The amount you can transfer tax-free during your life or on death just went up to $11.2 million per person. That is $22.4 million per married couple.

What if your gift isn’t to a person, but to charity? If you give to charity, that can be very tax-smart from an income tax viewpoint. If you give crypto to a qualified charity, you should normally get an income tax deduction for the full fair market value of the crypto. If you bought it for $500, and donate to a 501(c)(3) charity when it is worth $15,000, you should get a $15,000 charitable contribution deduction.

What’s more, you won’t have to pay the capital gain or income tax on the $14,500 spread. That’s a good deal. It’s why most savvy people—think Warren Buffett—want to donate appreciated property rather than money to charity. Remember, if you use crypto to *buy* something, the IRS considers that a *sale* of your crypto. You have to calculate gain or loss. You might have *bought* something with your crypto. But you made a *sale* in the process.

Also, take note of the IRS enforcement efforts. The IRS is looking for reporting of crypto, thanks to summonses, tracking software, and training its *criminal* IRS agents. That should make a lot of people who might have been lax in the past starting to think more carefully about April 15th.

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