

Jorge Castro Comments on Possible Impact of Tax Compliance Proposal on Cryptocurrency Transactions in CQ Roll Call

"Treasury Pushes Global Crypto Data-sharing Rules in Budget Bill"

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Tax Member Jorge Castro, former Democratic Congressional tax aide and Counselor to the IRS Commissioner during the Obama administration, commented on a proposal for consideration in the Biden Administration's proposed \$3.5 trillion budget reconciliation package that would require cryptocurrency exchanges to report owners of U.S. accounts to the IRS. Included in the Treasury Department Greenbook released earlier this year, the proposal would result in tax information the IRS could automatically share with foreign countries, as well as receive data on U.S. taxpayers trading digital currencies abroad. According to Treasury, the proliferation of shell companies that U.S. taxpayers set up overseas to try to avoid tax, including on cryptocurrency gains, requires stricter reporting measures. "The global nature of the crypto market offers opportunities for U.S. taxpayers to conceal assets and taxable income by using offshore crypto exchanges and wallet providers. U.S. taxpayers also attempt to avoid U.S. tax reporting by creating entities through which they can act," according to Treasury's Greenbook. The international compliance proposal, which Treasury estimates would generate "negligible" additional revenue on top of the other new requirements, is one Democrats may be able to get on board with, Castro said. But Castro noted in an interview that the proposal would likely generate a lot of industry attention and could be burdensome on cryptocurrency-related businesses because they would involve both more U.S. regulation, as well as information sharing for enforcement in other countries.