Crypto Investments

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Many taxpayers have invested in cryptocurrencies ("Crypto"), including Bitcoin, Ether, and Lite Coin. Crypto is different from stock and securities. Some things to keep in mind:

1. If your Crypto holdings are with a Crypto exchange, it is important to determine who "owns" the Crypto. The recent bankruptcy of Crypto exchange FTX has had a significant impact on the Crypto market, and there are news reports that between $1 billion and $2 billion in client money is missing. Who owns the Crypto in an exchange is a question being frequently asked. A Crypto exchange is not a bank. As evidenced by recent bankruptcy filings, some Crypto exchanges operate in a riskier manner than others, and if title to Crypto is transferred to and legally held by an exchange that files for bankruptcy (or if the Crypto is taken unlawfully), the taxpayer/client's Crypto interests may be at risk.
2. Crypto is treated as property and not as common stock or securities for Federal Income Tax purposes. Thus, taxpayers would be wise to consider the following:

- The *Wash Sale Rules*, discussed elsewhere in this newsletter, do not apply to Crypto.
- The *Straddle Rules* apply to Crypto.
- The *Short Sale Rules* do not apply to Crypto.

Unlike other investments, a Crypto owner who loses his password may lose his Crypto. It is essential that you have your passwords securely held, and it is very important that the executor of your estate, and any substitute executor, also has knowledge of your passwords.