



Cryptocurrency Taxation: Nuts, Bolts, and Tax Law Updates

GLOSSARY OF TERMS

Bitcoin - Form of digital money

Blockchain Technology - Blockchain is a specific type of database that differs from a typical database in the way it stores and processes information; blockchains store data in blocks that are then chained together.

Cryptocurrency – Digital money created and exchanged through a distributed network of users or a digital ledger called blockchain.

Cryptocurrency Exchange - Marketplace where you are able to sell and buy cryptocurrency

Decentralized finance (DeFi) - A financial system built on top of blockchain technology that allows lending, borrowing, and insurance using cryptocurrency.

Digital Assets – Digital assets are any digital representatives of value that are recorded on a cryptographically secured distributed ledger or any similar technology.

Exchanges - Cryptocurrency exchanges are marketplaces where you can buy or sell digital currency.

Forks - Forms of Bitcoin which resulted from different perspectives on a transaction history. A “fork” occurs when the software for a blockchain is changed.

Hardware Wallet - Type of cryptocurrency wallet where you store private keys in a secure device.

Investors - Investors buy and sell cryptocurrencies for speculative purposes.

Miners/Mining - The act of adding new transactions to the blockchain by solving complex mathematical problems which requires computing resources. Miners get rewarded with bitcoin.

Mobile Wallet - A virtual wallet that stores information from a debit or credit card on a mobile device.

Non-fungible tokens (NFTs) - Collectible digital assets created in limited quantities to maintain scarcity.



Opportunity Zones (OZs) - Opportunity Zones allow you to defer, reduce and in some cases eliminate capital gain taxes on “property”, since cryptocurrencies are treated as “property”.

Stablecoins - Type of cryptocurrency where the value of the digital asset is pegged to an asset such as the U.S. dollar.

Staking - The process of buying and holding coins with the goal of receiving interest. It is done using a designated wallet on a network that uses the Proof of Stake consensus algorithm or some modification of it.

Token - A token may refer to a unit of cryptocurrency, such as a bitcoin. It may also refer to a type of cryptocurrency that is built using an existing blockchain. For instance, Ethereum based tokens are very common.

Trader (Crypto trader) - Someone who has the goal of profiting from short-term changes in cryptocurrency market prices.

Virtual currency - A digital representation of value, other than a representation of the U.S. dollar or a foreign currency (“real currency”), that functions as a unit of account, a store of value, and a medium of exchange.

Wallet - Where you store your coins.