

Five Things You Should Know About New York State's Taxation of Convertible Virtual Currency

By Richard Nielsen and Michael Cataldo

On December 5, 2014, the New York State Department of Taxation and Finance issued [TSB-M-14\(5\)C, \(7\)I, \(17\)S](#), explaining its policy regarding convertible virtual currency.

1. **The IRS has held that convertible virtual currency (CVC), such as bitcoin, is treated as property for U.S. federal income tax purposes.** Consequently, transactions involving CVC are treated as barter exchanges, in which each party is viewed as both a buyer (of the good or service acquired) and a seller (of the goods or services given in the exchange). See our [Client Alert](#) of March 26, 2014. New York State conforms to the federal treatment of CVC for corporate and personal income taxes.
2. **In New York, sales tax is imposed on the buyer, but the seller is obligated to collect and remit the tax.** Sellers of taxable goods or services that accept CVC in exchange for those taxable goods or services must register with the New York State Department of Taxation and Finance for sales tax purposes.
3. **Where a customer exchanges CVC for taxable goods or services, the customer owes sales tax as if it paid in U.S. dollars.** In this case, the sales tax owed is determined by the market value of the CVC exchanged, converted into U.S. dollars at the time of the exchange, and the seller is required to collect and remit the sales tax on the transaction. On the other side of the transaction, although the "seller" of the goods and services is also treated as a "buyer" of the CVC, that party is not subject to sales tax on the acquisition of the CVC because CVC is nontaxable intangible property.
4. **The sale of CVC itself in exchange for U.S. dollars or in exchange for another CVC does not create a sales tax obligation on the part of either the seller or the buyer.**
5. **If the party providing the taxable goods or services in exchange for CVC issues a sales slip, invoice or receipt, the amount of the sales tax must be stated thereon in U.S. dollars.** Such sellers must record the value of the CVC accepted and the amount of sales tax collected in

U.S. dollars at the time of each transaction, and report and remit any sales tax due in U.S. dollars when filing periodic sales tax returns.

If you have any questions about the content of this alert, please contact the Pillsbury attorney with whom you regularly work, or the authors below. Please visit the [Pillsbury Tax Page](#).

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