
Facebook's Libra Cryptocurrency May Be Hampered by Tax Troubles

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When consumers go to the corner store and buy groceries, they are rarely thinking about the tax implications of paying for their groceries. If they paid for those groceries in cryptocurrency though, the gain on the cryptocurrency that they realized when it was converted into its fiat value is a taxable event just as if they had traded any other item of personal property in exchange for buying groceries.

Facebook's new Libra currency project, which was announced officially in June, is proposed to be a new cryptocurrency that will allow billions of people around the world to transact effortlessly. Based on a basket of currencies, it believes, in the words of its whitepaper, ["that global, open, instant, and low-cost movement of money will create immense economic opportunity and more commerce across the world."](#)

Can consumers use it as effortlessly as cash though? To comply with tax regulations, consumers must keep track of when they buy and sell Libra. When they sell Libra, or exchange it for goods and services, the consumer will have taxable gain measured by the difference between their cost basis in the Libra and the value of what they receive in exchange for it. If the cryptocurrency is held for less than a year, that gain will be taxed at ordinary income tax rates. Obviously, these problems do not exist with fiat currency.

Congressman Davidson from Ohio has introduced a bill that would create a *de minimis* exemption from taxation for gains realized from the sale or exchange of virtual currency for other than cash. Until that bill passes, however, tax issues including record keeping and reporting may hinder widespread adoption of any cryptocurrency. For now, however, the jury is still out as to whether Libra can change the relationship between the tax authorities and the cryptocurrency marketplace and usher in a real cryptocurrency revolution.