Deloitte.

Sales/Use:
Wisconsin DOR Issues Guidance and Reminders on State Tax Treatment of Virtual Currency Transactions

Wisconsin Tax Bulletin, No. 213, Wis. Dept. of Rev. (4/21). The Wisconsin Department of Revenue (Department) recently issued virtual currency guidance for Wisconsin sales/use, income/franchise, and withholding tax purposes "to inform or remind taxpayers of the tax treatment" – commenting that more individuals and businesses are investing in or using virtual currency these days. In doing so, the Department explains that virtual currency, such as digital currency and cryptocurrency, "is a digital representation of value that functions as a unit of account, a store of value, and a medium of exchange." For state sales tax purposes, the Department provides that the sales price from the sale of virtual currency is *not* taxable because "the virtual currency represents an intangible right." However, when virtual currency is redeemed for a taxable product, the transaction is completed and the retailer's Wisconsin sales or use tax liability accrues at that time wherein "the tax is computed on the value of the consideration received by the seller, measured in US dollars as of the date and time that the virtual currency is received."
URL: https://www.revenue.wi.gov/WisconsinTaxBulletin/213-04-21-WTB.pdf

Regarding the state income and franchise tax treatment of virtual currency, the Department states that Wisconsin generally follows the Internal Revenue Service for the tax treatment of transactions involving virtual currency. The Department explains that virtual currency is intangible property that is treated for Wisconsin tax purposes similar to other types of intangible property, and Wisconsin taxpayers must report income, gains, expenses, and losses as required under the Internal Revenue Code. The Department cautions that acquiring, receiving, selling, sending, or exchanging virtual currency "may result in a taxable event," and explains that taxpayers must keep records for all virtual currency transactions to correctly report their basis, gains/losses and income/expenses. According to the Department, "taxpayers who do not properly report virtual currency transactions on their tax returns may be audited and held liable for the tax, penalties, and interest." The Department also explains that a business receiving virtual currency for the sale of goods or services generally must report gross sales revenue "valued at the virtual currency's exchange price at the time of sale." Please contact us with any questions.

— Linda Joers (Milwaukee)
Managing Director
Deloitte Tax LLP
ljoers@deloitte.com

Jeremy Blodgett (Milwaukee)
Senior Manager
Deloitte Tax LLP
jblodgett@deloitte.com

Axel F. Candelaria Rivera (Milwaukee)
Senior Manager
Deloitte Tax LLP
acandelariarivera@deloitte.com