

Income/Franchise:

Arizona: New Law Addresses Personal Income Tax Treatment of Virtual Currency/NFT Gains and Losses

H.B. 2204, signed by gov. 7/6/22. Effective from and after December 31, 2022, new law prescribes the Arizona individual income tax treatment of certain gains and losses associated with virtual currency and non-fungible tokens (NFTs), and establishes an income tax subtraction adjustment, to the extent not already excluded from Arizona gross income under federal tax law, for the value of virtual currency and NFTs an Arizona taxpayer received through an “airdrop,” at the time of the airdrop. The new law also permits Arizona taxpayers who included a gain or loss on the sale of virtual currency or an NFT in their Arizona gross income to subtract “gas fees” from their Arizona gross income, if in calculating the gain or loss the taxpayers did not include any gas fees paid on the purchase of the virtual currency or NFT, or did not otherwise deduct the gas fees in determining their Arizona gross income. Under the new law, a “non-fungible token” is defined as a non-fungible cryptographic asset on a blockchain that possesses unique identifiers or other metadata that distinguishes the asset from another token or asset in a manner that makes the asset irreplaceable and non-exchangeable for a similar token or asset; and “virtual currency” is defined as a digital representation of value that functions as a medium of exchange, a unit of account and a store of value other than a representation of the US Dollar or a foreign currency. Various other relevant definitions are included in the bill. Please contact us with any questions.

URL: <https://apps.azleg.gov/BillStatus/BillOverview/76630>

— Scott Schiefelbein (Portland)
Managing Director
Deloitte Tax LLP
sschiefelbein@deloitte.com

Metisse Lutz (Denver)
Senior Manager
Deloitte Tax LLP
mlutz@deloitte.com

Cindy James (Phoenix)
Specialist Leader
Deloitte Tax LLP
cyjames@deloitte.com

Jimmy Westling (Phoenix)
Manager
Deloitte Tax LLP
jawestling@deloitte.com

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.