

Income/Franchise:

Kansas: Cryptocurrency State Tax Policy Report Issued to Legislative Post Audit Committee

Reviewing Issues Related to State Cryptocurrency Tax Policies, Kan. Legis. Div. of Post Audit (7/22). At its request, a limited-scope performance audit report entitled “Reviewing Issues Related to State Cryptocurrency Tax Policies” was presented to the Kansas Legislative Post Audit Committee addressing how Kansas’s cryptocurrency tax policies compare to “federal policies and best practices.” The report essentially concluded that federal and Kansas income tax policies are the same and “if someone reports income to the federal government, it will be reported to Kansas too.” The report also noted that Notice 20-04 issued by the Kansas Department of Revenue (Department) in 2020 clarifies that Kansas sales tax should apply to cryptocurrency transactions, requiring retailers and service providers that accept cryptocurrency to calculate and remit sales taxes in US Dollars based on the fair market value of the property, goods, or services sold as the Department does *not* consider cryptocurrency to be legal tender and does *not* accept cryptocurrency for any payment or remittance.

URL: https://www.kslpa.org/wp-content/uploads/2022/07/B01.02-Final-Report_PDFa.pdf

URL: <https://www.ksrevenue.gov/taxnotices/notice20-04.pdf>

Furthermore, the report determined that state governments have yet to agree on a set of best practices regarding the taxation of cryptocurrencies and, according to an official with the National Conference of State Legislatures who tracks state cryptocurrency legislation, “a major hurdle to the creation of best practices has been the complexity and instability of the cryptocurrency industry.” The report also explains that new “crypto products” are constantly being developed, and state lawmakers and regulators “are still trying to determine how cryptocurrencies fit within their legal frameworks.” The report includes descriptions of related terms like blockchain, air drop, non-fungible tokens (NFTs), distributed ledger, hard fork, and mining and staking. Please contact us with any questions.

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