

Income/Franchise:

Michigan Department of Treasury Addresses Tax Treatment of Digital Currency Transactions

Treasury Update Newsletter, Mich. Dept. of Treas. (8/22). The Michigan Department of Treasury (Department) addresses the Michigan income tax treatment of digital currency transactions (e.g., gains and losses resulting from cryptocurrency transactions), concluding that treatment of these currencies for federal income tax purposes generally dictates their treatment at the state tax level because Michigan “does not have any rules or policies with respect to digital currency transactions that differ from the federal policies regarding such transactions.” The Department explains that any difference between a taxpayer’s cost of acquiring a digital asset and its value at the time of sale or transfer will be treated as a gain or loss and taxed accordingly. Moreover, if a taxpayer is paid in digital currency by an employer or a client, that payment represents taxable income. The Department recommends that taxpayers engaging in transactions involving digital currencies consult Internal Revenue Service Notice 2014-21, which provides guidance to individuals and businesses on the income tax treatment of transactions using virtual currencies.

URL: <https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/Newsletters/Treasury-Update-Newsletter-August-2022.pdf>

For information regarding application of Michigan sales tax to digital currencies and cryptocurrencies, the Department reminds taxpayers to consult “Tax Policy Newsletter – November 2015,” which generally concludes that taxpayers accepting virtual currency in a retail sale transaction must convert the value of the virtual currency to US Dollars as of the day and the exact time of the transaction. Furthermore, taxpayers accepting virtual currency must maintain documentation demonstrating the value of the virtual currency on the day and at the exact time of the transaction. Please contact us with any questions.

URL: <https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/Newsletters/TaxPolicyNovember2015Newsletter.pdf>

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