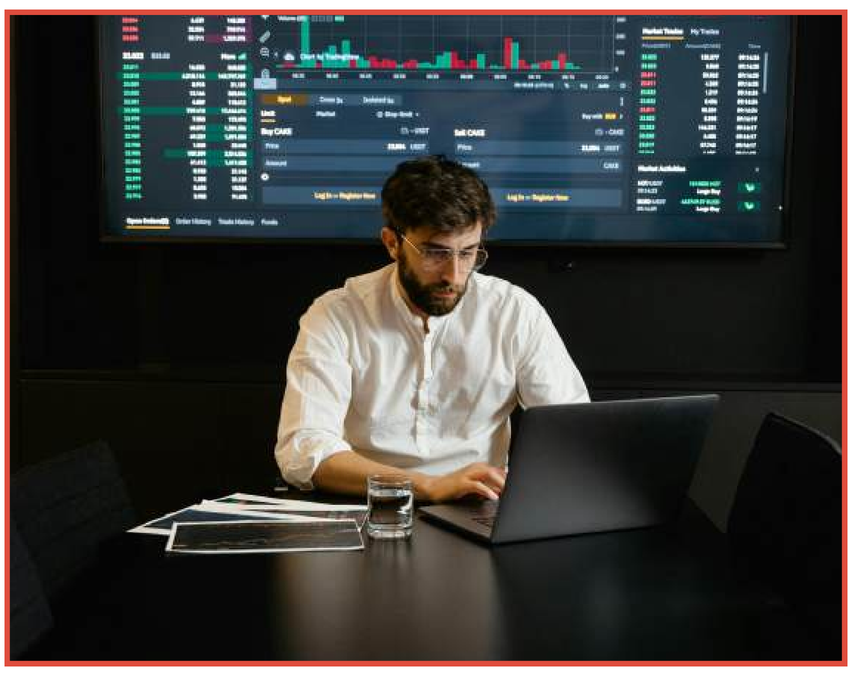
3 Key Tax Tips for Bitcoin Sales

1. Deferred Sales Trusts

A Deferred Sales Trust works by utilizing an installment sale. Instead of selling directly to a buyer through an OTC desk or crypto exchange, you sell your BTC to an independent, third-party trust—a Deferred Sales Trust. In exchange, you'll receive a promissory note outlining the terms of your repayment. The DST will then sell your BTC and take receipt of the proceeds.



2. Charitable Contributions

Even if using a DST, you will still owe capital gains taxes on the portion of your profits that you receive in installments each year. One way to reduce the taxes you owe is through charitable contributions. If you donate BTC directly to a charitable organization, you won't owe any capital gains taxes on the appreciation, and you can deduct the full fair market value of the donation from your taxes.

3. Harvest Losses

If you are selling highly appreciated Bitcoin, it might also be a good time to sell some of your underperforming assets as well. You offset capital gains with capital losses in the same year. For example, you want to sell a highly appreciated BTC for a $50,000 profit. You have ETH that hasn't been performing well. If you sell your ETH at a loss of $50,000, it will offset the gain from the BTC, and you won't owe any taxes.

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