

US says Bitcoin is taxable as property, not a currency

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A pile of Bitcoin slugs sitting in a box ready to be minted on April 26, 2013 in Sandy, Utah

The US tax authority on Tuesday ruled that Bitcoin will be taxed as property, like stocks or real estate, rather than as a basic currency like the dollar.

Issuing the ruling just weeks before the April 15 deadline for paying 2013 taxes, the Internal Revenue Service may have dealt a setback to

those wanting the online money to be officially recognized as a currency, like the dollar.

But the ruling benefited investors who could end up being taxed at a lower rate on gains they make from trading virtual currencies like Bitcoin.

"In some environments, [virtual currency](#) operates like 'real' currency," the IRS said.

"But it does not have legal tender status in any jurisdiction."

As property, the gains made on Bitcoin and other virtual currencies sold after being held for more than a year would face a tax of 15 percent or 20 percent, depending on the person's level of income.

But any gains on Bitcoin traded in less than one year will be treated as income, which can be taxed at a significantly higher rate.

The IRS also made clear that anyone paid for services in Bitcoin or other virtual currencies have to report it as income.

It said that in reporting, the taxpayer would have to value Bitcoin in dollars based on "fair market value," possibly using the rate on an exchange.

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