

Bitcoin gets easier for consumers to buy, spend

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It's getting easier for consumers to buy and spend bitcoin, the cybercurrency that has captured much of the tech world. With each passing month, entrepreneurs are rolling out new technology for consumers to buy and store bitcoin, shop online with the virtual currency and send it to friends. Last week, a bitcoin ATM was unveiled in Mountain View, Calif. - put in a few hundred bucks, out comes a bitcoin. And more retailers - from consumer electronics to coffee roasters and pizza delivery - are accepting bitcoin, making it easier for consumers to choose the Internet currency over dollars.

"It's all about to change over the next 12 to 24 months," said Marshall Hayner, a San Francisco entrepreneur who this month will launch bitcoin app QuickCoin. "We are going to see all kinds of people adopt it. It's going to power transactions on the Internet."

Bitcoin is a cybercurrency and payments network created in 2009 by a mathematical formula as an alternative to banks and government-controlled currency systems. Bitcoins are added one at a time to the network by computer programmers around the world, and most bitcoins are bought and traded on global Internet exchanges.

The San Francisco Bay Area bitcoin community is filled with entrepreneurs and investors pouring millions of dollars into their projects. But for the rest of us, still buying with cash and plastic, bitcoin is a bit of a mystery.

"You've got people out there who are software engineers who don't understand it," said Vinny Lingham, co-founder of Gyft, a San Francisco digital gift card app that accepts bitcoin. "It's far too complicated out there for the average consumer to understand. But that will change."

Cary Peters is hoping to uncomplicate bitcoin for consumers with the ATM he unveiled at Hacker Dojo, a nonprofit shared tech space in Mountain View. His is the first bitcoin ATM in California, and anyone can use it by setting up an account with a phone number, ID, and face and palm scan, which is used to run a background check to rule out potential fraud.

"Regulation has to be implemented," Peters said, a position rarely heard in the libertarian bitcoin community, but one that experts say is necessary to gain the trust of consumers. After about five minutes, the machine sends a text message that the user can start buying and selling bitcoins. Many bitcoin websites take about four or more days for transactions, and that delay doesn't work for everyone.

"Something you decide you want to do today you may not want to do in four days," said Hami Lerner, a Sunnyvale, Calif., resident who works in tech and visited the ATM on Tuesday. Bitcoin valuation can fluctuate wildly on any day; in February, it fell more than 85 percent in less than two hours. Recently valuation has ranged between about \$450 and \$500, about half its all-time high of more than \$1,200 in November.

After you've bought your bitcoins, you move them to a bitcoin wallet, an app that manages the currency, where you can hold onto them - or spend them. Overstock.com was the first major online retailer to start accepting bitcoin in January. Only about 1 percent of consumers are buying with bitcoin, but revenue from bitcoin purchases is expected to reach \$15 million this year, exceeding company expectations by about \$10 million, said Jonathan Johnson, vice chairman of the board of

directors for Overstock.com. "In all disruptive technology, there's early adopters and more mainstream adopters," Johnson said. "I remember thinking in the early '90s I needed to figure out what this Google thing is. Now everyone walks around with the Internet in their hip pocket or their purse. We're at the early adopters stage."

Other retailers accepting bitcoin: [consumer electronics](#) retailer TigerDirect, handmade goods seller Etsy, online gaming company Zynga and electric car company Tesla. There are no bank-imposed transaction fees like there are with credit cards, and some merchants, including Gyft, are passing the 3 percent to 5 percent savings on to the consumer - similar to getting the lower-cost fuel at the gas station when paying in cash.

New sites launching this month make it easier to shop online with bitcoin or send money to your friends. The QuickCoin app lets you send bitcoin directly to people on Facebook, and Santa Cruz, Calif.-based PayStand, which launched last week, allows consumers to shop from 2,000 retailers using bitcoin. Square, the San Francisco mobile payments company, said last week it would start accepting bitcoin on its online marketplace, Square Market.

As the number of bitcoin websites and apps grow, so does the bitcoin culture. In February, San Francisco held its first bitcoin fair, a festival of music, food, beer and arts vendors all accepting bitcoin.

Just because it's easier to get and spend bitcoin doesn't mean consumers should start cutting up their credit cards, some finance experts say.

"Typically you want to get rid of uncertainty, but you're investing in it with bitcoin," said Mark Schwanhausser, a financial services director at Pleasanton, Calif.-based Javelin Strategy & Research.

In February, the world's largest bitcoin exchange, Japan-based Mt. Gox, filed for bankruptcy after it lost more than 750,000 bitcoins - and then found 200,000 of them in what it said was a forgotten wallet. Even the Bitcoin Foundation, a nonprofit group set up to promote Bitcoin's legitimate use, was marred after one of its board members was charged with money laundering.

Another deterrent to consumers came last month when the Internal Revenue Service announced it would treat bitcoin as property, not currency, and could impose taxes on some bitcoin transactions. If you buy a \$5 beer with bitcoins you bought for \$2, but the bitcoin value had inflated, then that purchase would trigger a capital gains tax.

"Do you want to do the math of capital gains in order to figure out how to buy a beer at a ball game?" Schwanhausser said. "You're either going to say screw it, and hope the IRS doesn't come and find you, or figure out a different way to pay."

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ADDING BITCOIN TO YOUR WALLET:

- Where to buy: Bitcoin ATM (Mountain View, Calif.); online exchanges (Coinbase, Bitstamp, CoinCafe, BitQuick)

- What it costs: In the last week, the price of one bitcoin has ranged from \$460 to \$480

- Where to spend: Overstock.com, Pizza for Coins, TigerDirect, Etsy, Wordpress, Zynga, Tesla, OkCupid, Reddit, Gyft, and the Sacramento Kings.

- Bitcoin for a cause: Hack Cancer, a group of philanthropic young

professionals in San Francisco, has held bitcoin fundraisers for cancer research, and has several more bitcoin events planned this year. Bitcoin Not Bombs, an activist organization to help social entrepreneurs start using the virtual currency, has used [bitcoin](#) to buy sweatshirts for homeless people in San Francisco.

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