

U.S. Court Orders Certain Identifying Information to be Provided to the IRS

November 29, 2017

On November 29, 2017 a US federal judge in San Francisco ruled that Coinbase, Inc. ("Coinbase") a popular online cryptocurrency exchange, must supply the Internal Revenue Service (the "IRS") with identifying information on users who had more than US\$20,000 in annual transactions on the Coinbase platform between January 1, 2013 and December 31, 2015.

This ruling was in response to the petition made by the IRS to enforce its initial summons on Coinbase (the "Initial Summons"), which sought "information regarding United States persons who at any time during the period January 1, 2013 through December 31, 2015 conducted transactions in a convertible virtual currency." This information was sought based on the conclusion of the IRS that virtual currencies capable of being converted into traditional currencies ought to be considered 'property' for tax purposes, and that as such, there should be federal income tax liability for persons who conducted transactions in such virtual currency. The Initial Summons delineated nine categories of documents to be supplied, including complete user profiles, know-your-customer due diligence, transaction logs, correspondence documents and records of payment.

When Coinbase refused to comply with the Initial Summons, the IRS filed a narrowed summons for enforcement (the "Narrowed Summons"). The Narrowed Summons sought "information regarding accounts with at least the equivalent of US\$20,000 in any one transaction type (buy, sell, send, or receive) in any one year during the 2013-2015 period." Individuals who only bought and held Bitcoin during this period, as well as individuals for whom Coinbase filed certain regulatory forms during this period, are exempt from the scope of the review. Compliance with the Narrowed Summons will require Coinbase to provide information on approximately 8.9 million transactions.

In a blog post on Coinbase's website (the full text of which can be found [here](#)), Coinbase celebrated the decision as a "partial victory", noting that the court's decision will require Coinbase to provide information on approximately 14,000 Coinbase customers, whereas the Initial Summons sought information for every Coinbase customer.

Whether Coinbase complies with the order or not, this decision is another sign that regulation in the space is inevitable. With the recent bull run of Bitcoin and other cryptocurrencies, investors and exchanges can expect further government scrutiny of their transaction history.

To read full text of the court's decision, click [here](#).

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