Checklist of Strategies to Reduce Crypto Taxes

This is an extra resource to go along with the original article:
How to Avoid a Crypto Tax Audit

Use the following checklist to help reduce your crypto tax burden.

- ❑ **Choose the right cost basis method.**
  First In, First Out (FIFO) is the most common cost basis method to reduce crypto taxes since it involves spending your longest held assets first to take advantage of the long-term capital gains tax rate. However, you may also choose to use Specific Identification or Highest In, First Out (HIFO) to lower your tax bill.

- ❑ **Harvest tax losses throughout the year.**
  Tax loss harvesting can help reduce your tax burden by realizing losses throughout the year. If the market drops suddenly, you can sell long-term positions to realize the loss and replace it in your portfolio before the market rises again. Crypto assets are not subject to the Wash Sale rule that affects equities.

- ❑ **Consider holding positions for the long-term.**
  The long-term capital gains tax rate is much lower than the short-term capital gains tax rate for most taxpayers. Rather than frequently buying and selling, you can reduce your tax rate by holding positions for longer than a year. Of course, your ability to do this depends on the trading and investment strategies that you use.

- ❑ **Avoid making common mistakes on your return.**
  Many taxpayers forget to account for the cost basis when reporting their gains, which can result in a significant overpayment of taxes. In addition, you can deduct certain fees and other expenses that are associated with crypto trading and investing from your taxes—as well as qualified business expenses if you mine cryptocurrency.