

Which Crypto Tax Software is Best?

Day by day, the number of people wanting to invest in cryptocurrency is increasing. This most probably has to do with humankind's infinite hunger and desire for wealth. Many people believe they can become rich in a short time without trying their hardest.

Crypto seems like an easy option for those who don't want to do heavy and difficult work. If you have also invested in crypto and bought coins you thought had a future in hopes of making a fortune, then you shouldn't forget one thing.

Paying taxes and handling them properly is just as important as making tons of money in crypto!

Yes - taxes must be paid on every transaction.

And everyone knows there are some complexities when it comes to doing business with cryptocurrency

That's why we decided to make the taxation process easier for investors by researching which crypto tax software is best.

In this article, we will help you make up your mind faster, so keep reading!

How Is Cryptocurrency Taxed?

The sweetness of making tons of money is a lot and seems unreal, but after that comes the time when you have to pay those taxes you've been dodging!

Cryptocurrencies are believed to be somewhat of assets; therefore, they hold real value and should be taxed, just like other assets. You make payments with your crypto asset, or you simply hold them for investment in the long run.

Your tax will be calculated from the day you buy an asset.

To do our taxes, we need to know when we bought it, how much it was worth when we bought it, and we should also know which tax rates and guidelines apply when we are selling our assets. Then we can see which crypto tax software is best to pay our crypto taxes with.



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Crypto Tax Regulation

Taxes will apply from the day you buy an asset and hold it to the day you decide to change it to fiat currency.

It is important to know that, according to the IRS (The International Revenue Service), all your purchases and exchanges are monitored, and agents are ready to catch those who try to evade paying taxes! We're trying to find out what the best crypto tax software is so that we can make the right decision.

Some may ask, "When do we owe tax while trading cryptocurrencies?" To answer that question, there are quite a few instances where you will be required to pay taxes.

The first thing to keep in mind: holding crypto assets alone is not taxable. However, you will be taxed once you decide to exchange virtual currencies for real currencies. You'll have to pay taxes if you gain more value from investing.

You should remember that this is a capital gains tax, not a transaction tax.

Some of the other situations in which you have to pay taxes include:

1. When you sell your crypto investment for fiat currency, AKA real money.
2. When you trade a cryptocurrency for another cryptocurrency. This is treated as a disposal.
3. When you buy other goods and services with cryptocurrency.

4. When you receive and earn a crypto income. Earning crypto income is believed to be a taxable event. Common forms of crypto income include earning staking rewards, crypto interest, etc.

How Much Is Cryptocurrency Taxed?

Before saying which crypto tax software is best, note that your income tax bracket and the period of time you have held your cryptocurrency assets will determine how much tax you will have to pay. But first, you might ask, "What really are capital gains? Explain it to me like I'm a 5-year-old!"

Capital Gains Definition

Before getting to the bottom of it and determining which crypto tax software is best, we need to know what capital gains mean first.

To put it simply, capital gains refer to one's asset value going up. Typically, when you decide to sell your asset and notice that the price of your asset has gone up from the first day you bought it, you have realized a capital gain.

A capital gain can be the increased value of a stock or mutual fund as a result of price fluctuations. The math is simple: price fluctuation increases the value of an asset, so you profit.

There are two main types of capital gains, which are categorized based on how long the investor holds their funds before disposal.

Short-Term Capital Gains

Short-time capital gains are believed to apply to any crypto that is held for less than 12 months. Short-term capital gains don't get any special tax treatment. They are treated exactly how your normal income is taxed.

Long-Term Capital Gains

Long-term capital gains apply to any crypto that is held for more than 12 months before being sold.

The government actually encourages you to hold onto your investments for the long-term tax, and in doing so, they can offer you tax incentives.

Holding onto your crypto for more than 12 months can bring you serious tax benefits. Let's suppose you have \$520,000 and you have held your asset for more than a year. Now, your tax rates will be 20% (according to the 2022 capital gains tax rates) instead of 37% (the highest short-term gains).

You can pay these taxes once you know which crypto tax software is best to use.

When Is My Cryptocurrency Tax-Free?

There are some situations and circumstances where you're neither required to report crypto taxes nor pay any.

Remember that you won't trigger a taxable event in the following circumstances:

1. Holding cryptocurrency.

2. Transferring crypto from one wallet you own to the other.
3. Using your cryptocurrency investment as your collateral for a loan you might need.

What if You Lose Money in Cryptocurrency?

Before jumping to where we talk about which crypto tax software is best, let's address a common question. What happens if you decide to sell your crypto and realize your crypto's value has tremendously fallen, and you are selling it at a much lower price than when you first bought it?

Well, if this happens to you, you can claim a capital loss. Losses can lower your tax bills. We will talk more about this later in this blog post. Now, let's imagine a situation where you have gained profit from one crypto transaction, but you have lost money on others.

You can use this opportunity to offset your gains. This will help you minimize your tax burden.

What If You Don't Report Your Crypto Taxes?

Not reporting your crypto gains, losses, and income intentionally and planning on keeping it a secret forever is considered to be tax fraud by the IRS.

How the IRS deals with tax fraud can be different. You could be criminally prosecuted or fined up to \$250,000, or sentenced to five years in prison!

The IRS is very efficient in doing its job. Therefore, it has sent a lot of warning and action letters to those Coinbase users that are alleged to have reported incorrect tax information.

The IRS does not joke when it comes to the matter of crypto taxes! They will make sure you get notified of your wrongdoings in taxation reports before accusing you of being a tax fraud!

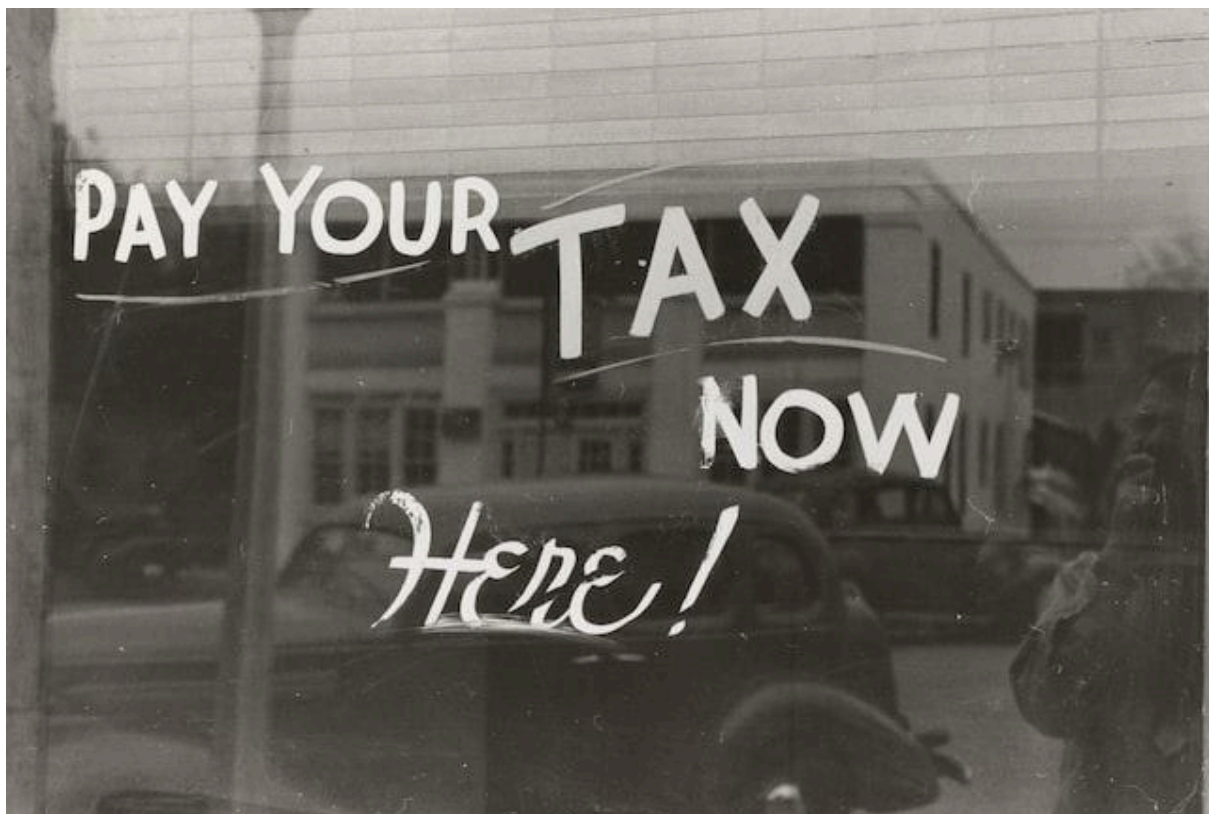


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Always Be Prepared

Before we talk about which crypto tax software is best, we need to know that being prepared will always help us save on taxes. Planning ahead is the best way to minimize your tax liability. To sum up:

- Calculate the period of time you've held your crypto asset
- Choose one accounting method that will guarantee to reduce your tax liability
- Watch the market for the best time to sell, especially if you are hoping to use tax-loss harvesting to offset gains
- Record the exact number and time of your purchases, trades, and sales.
- Consult your tax or financial advisor

What's Crypto Tax Software?

Before getting to the point where we're talking about which crypto tax software is best, you should know there's no way around taxes, even when you are trading cryptocurrencies. The burden of taxes will haunt you for the rest of your life!

You need to find ways to calculate your crypto assets taxes so you don't get yourself into trouble. If you try to evade taxes without knowing which crypto tax software is best and dodge them like you don't see them, the law will catch up with you big time.

Instead of ignoring taxes, take a closer look at your assets and figure out how to calculate them. You can also ask for [professional tax advisors'](#) help to avoid mistakes.

There are likely to be many transactions per day, and if you are not just a casual trader, you will need to use the best crypto tax software where you can keep track of your transactions easily. Now, we are going to guide you through the taxation process by explaining which crypto tax software is the best.

Why Should I Use Crypto Tax Software?

As we research which crypto tax software is best, we get to know that it can be a big help for those who make dozens of transactions every day and want the software to take care of it instead of doing it manually.

Crypto tax software can:

- Auto-sync all through the cryptocurrency wallets.
- Calculate your capital gains and losses.
- Create tax reports suitable to be downloaded.
- Take the stress out of filing your taxes manually when you could use crypto tax software instead.
- Save you a lot of time.
- Help you track your portfolio as it is also a crypto tracking tool.

Who Should Use Tax Software?

The IRS has been after crypto tax evaders and, quite frankly, will continue to track them down until they can catch them all! It is therefore advantageous to know which cryptocurrency tax software is the best for you since you will have many transactions in a day.

Everybody needs software that makes it a whole lot easier for them to file their tax reports accordingly.

Which Crypto Tax Software Is Best for Me?



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Now let's take a closer look and see which crypto tax software is best in the market compared to others. We'll make it way easier for you to choose between them by making a full comparison.

#1 Koinly

I think it's safe to say that Koinly is by far one of the best crypto tax software out there because of so many reasons. Customers are believed to be fairly satisfied with this software.

Features:

- Connects with over 300 cryptocurrency exchanges, 70 wallets, and 14 blockchain addresses.
- Syncs all your data from all sources that may be.

- This software is also believed to work perfectly in tracking your portfolio and showing you your growth, benefit or loss, and tax liabilities.
- This software can be of help when you try to fix issues with your transactions with the help of some tools, including a double ledger system that highlights errors when a transaction is done wrong or is missing.

This puts Koinly on the list when we talk about which crypto tax software is best.

Pros:

- This software is very cost-effective when purchased.
- It offers support via mail, or if you feel like chatting, there is a chat service for you!
- This is a very safe software to use as it encrypts the API keys using aes-256-gcm before storing them.
- It supports tax reports in multiple countries aside from the U.S., such as Canada, Germany, the UK, Denmark, Australia, Norway, and Sweden.

Cons:

- Unfortunately, you can use the free version to a limited extent. Tax reports are not included in the free version.
- A tool that can help you with harvesting tax losses is missing in this software.

Pricing:

When we ask which crypto tax software is best, the pricing matters too.

This software is free and has a free version that can help you a lot; however, there are some paid plans, and the range is between \$49 to \$400 per year, based on the features it offers.

#2 CoinLedger

CoinLedger, which was formerly CryptoTarder.tax, is also listed among the “which crypto software is best” list. It is trusted by more than 100K customers and offers a lot!

Features:

- If you have many crypto platforms, do not worry because this software lets you import all transaction data easily.
- Supports many currencies.
- Helps a lot in terms of increasing your crypto knowledge
- Offers full audit support, which is one of the criteria for knowing which crypto tax software is best.

Pros:

- Offers tax-loss harvesting tools.

Cons:

- Customer service for lower-priced plans will not give you the most satisfaction.
- No direct tax returns filing.

Pricing:

Prices start at \$49 a year, and it goes up based on the features this software offers. It also offers a 14-day trial.

#3 Accountings

This software is one that is very suitable for novice users. We can say with confidence that it's very user-friendly.

Features:

- Manages your crypto taxes with a variety of tools conveniently.
- Syncs all your exchanges and wallets with the platform.
- An overview of all transactions can be found in a report.

Pros:

- Very easy to set up and use.
- Tax-loss harvesting tool. (one of the criteria for knowing which crypto tax software is best)
- You can get help from a crypto tax expert.

Cons:

- Paid-plans users are likely to get better service than free-version users.

Pricing:

Accountings has some of the most affordable prices with free transaction reports. The price range is between \$79 to \$299.

#4 TaxBit

TaxBit is a user-friendly crypto tax solution developed by CPAs and tax attorneys. TaxBit is considered to be a unique software since it doesn't require you to prepare the tax forms before filing them.

Features:

- Supports 150+ exchanges and also more than 2000 currencies.
- You can see your asset balances, tax position, and loss/profits in a powerful dashboard that is offered.
- Offers a tax-loss harvesting feature and an analysis of portfolio performance.

Pros:

- This software allows you an annual phone call with a CPA to check their forms before filing, which is great news for those who are looking to know which crypto tax software is best regarding this matter.
- Best customer service offered.
- Supports 5 other languages other than English.

Cons:

- If you were to format CSV files, you'd have to do it manually.

- It has limited auto-sync reporting.

Pricing:

The pricing is like other best crypto tax software out there. They provide 3 paid tiers to choose from and a free trial. The price range is between \$50 to \$500 a year.

#5 ZenLedger

ZenLedger is one of the best crypto tax software that accepts more than 400 exchanges and has more than 15k customers. This software can be used by both investors and tax professionals.

Features:

- With the help of your transaction history, this software can calculate the profits and losses of your crypto investments.
- Tax-loss harvesting tools
- Lets you easily integrate your transaction data with TurboTax

Pros:

- ZenLedger charges you based on the number of transactions you've made.
- Tax professionals are provided, and you can seek help from them.
- It also renders on-demand customer service for both free & paid plans.

Cons:

- A bit more expensive than the other software out there because of the professional assistance.
- Not an international software, which is not good news to multilingual and foreign investors.

Pricing:

- ZenLedger offers multiple account types for different types of use. Starting price is \$49 a year for basic use.

Final Word

Cryptocurrencies have been around for more than a decade now and are very popular these days. Quite frankly, reports show that they will continue to be even more popular in the future.

You may think that by trading cryptocurrencies and entering the game, you will become a millionaire, even a billionaire, in a short time. You may not be wrong, but there are stages to everything.

Firstly, don't forget safety; and secondly, don't forget to pay the taxes you are due. And to pay your taxes, you need to cautiously calculate your capital gains and losses. You can have a [professional crypto public accountant](#) take the weight off your shoulders and add the assistance of software to make things even easier.

Based on our comparison, everyone can now say which crypto tax software is best for them. There are so many ways in which crypto tax software will be useful! Our comparison of the best crypto tax software includes all of them.

Make sure you [contact Lorenzo Tax professionals](#) if you have any questions about finding the most suitable crypto tax software.

Dear readers of the Lorenzo Tax newsletter,

As you know, cryptocurrency has been around for more than a decade and has no plan of going anywhere soon!

You may even be a trader, yourself too. You may make tons of money with trading, and that's amazing news!

But did you know that crypto transactions can be subject to tax?

What about the fact that your capital gains will determine how much to pay?

Doing other taxes is confusing enough, let alone crypto tax, with its complexity.

It's not long before you receive a letter stating that you are a tax fraud!

However, as we mentioned the complexity of doing crypto tax, we are here to tell you that you can't do them all alone!

If you are a professional investor and participant in the crypto market, you might ask questions like:

- Should I pay taxes in the crypto market?
- How much taxes should I pay?
- Is holding crypto assets alone taxable?

There is some software out there ready to serve you!

In [our recent article](#), not only have we answered all these questions, but we have also introduced some of the best crypto tax software that comes in handy and is a big help.

Remember, you can't dodge those taxes forever! It's time to face them and make a wise decision in paying them.

We'll also help you find ways to reduce your tax liability. Visit our website and read this article, and you'll find out!

(Lorenzo Abbatiello, Founder and Principal of Lorenzo Tax)

Twitter Threads

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Times have changed, and today you must pay taxes for almost everything! Cryptocurrency is not an exception.

The IRS (Internal Revenue Service) is trying to enforce much stricter regulations, and so there is no way on earth you can get away!

Tax evasion has some bad consequences and can be big trouble. Make your lives easier by not forgetting our taxes. If you don't, you might end up in jail tomorrow!

Calculating your tax liability is a very tricky business, especially for those who forget things easily!

But do not despair, for we have some great news! There is very good crypto tax software out there, and it will come to the rescue!

You may ask which software does Lorenzo Tax suggest?

Koinly, Accounting, CoinLedger, ZenLedger, and TaxBit are all very good crypto tax software.

By using this software, you won't waste time doing your taxes yourself. This software will do it for you within minutes.

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As you know, there are software that can make your job as a crypto tax-payer way easier.

We are going to mention some of them with a brief introduction to each one of them.

1. Koinly

One of the best crypto tax software that syncs all your data from all sources. It is very affordable on a paid plan and is suitable for all.

2. CoinLedger

This software will not only help you in tax matters but also is a lot of help in terms of your crypto knowledge!

3. Accounting

This software is very user-friendly software which makes it easier for a lot of our novice users to work with it. The pricing is very rational and affordable for all.

4. TaxBit

Very unique software in terms of not requiring you to prepare tax forms before filing them. It also offers an option where you can schedule a meeting with a CPA to check your forms before filing.

5. ZenLedger

ZenLedger is another software that is suitable for all. What makes this software unique is the fact that it charges you based on the number of transactions you've made.