

## How to Find an Accredited NFT Tax Accountant



Photo by [Scott Graham](#) on [Unsplash](#)

Wondering how much you need to pay taxes on your NFT investments? Imagine sitting in your home's comfort when suddenly you receive a notice filed by IRS stating that you are penalized for improper taxation.

Many people wonder [if they can avoid paying taxes on Bitcoin](#) or other assets such as NFTs. However, not everybody is an expert on the latest tax regulations, which is why they may be in trouble.

You should also note that NFT tax calculation is not the easiest thing to do. This is why dedicated teams of NFT tax accountants work 24/7 to figure out the most optimized way for you to pay your NFT taxes.

In this article, we will tell you all there is to know about NFT, its taxation, why you should have an NFT tax accountant, and most importantly, how to find a reliable one!

## What Is an NFT? And What Does It Stand for?

NFTs have been on the market for a long, long time. However, when you tell most people that you need an NFT tax accountant, they would ask, "Ummm, what is an NFT anyways?" If you are not one of those people, [skip ahead](#).

So, NFT stands for Non-Fungible Token. NFTs are encrypted assets residing on the blockchain network. They come with specific IDs and metadata so that they can be differentiated from one another.



These irreplicable tokens can correspond to real-world items. Basically, you can tokenize everything, from artwork to real estate, using NFTs.

In simple terms, NFTs act as digital representations of physical assets.

This can help optimize purchasing, selling, and trading of those tangible assets. Moreover, it can nearly eliminate the chances of fraud.

However, that is not all. NFTs can depict the identities of individuals, property rights, etc. They can also eliminate any forms of intermediaries, thus creating new markets and making transactions easier.

NFTs became so widely used that many people felt the need for an NFT tax accountant.

Much like cryptocurrencies like Bitcoin, NFTs need to be easily identified and transferred from one token holder to another. This is possible because NFTs possess ownership details. Each NFT can have metadata/attributes that correspond to the asset.

As an example, NFTs depicting products like bananas, coffee, chocolate, tea, flowers, and sugar can be classified as fair trade. Celebrities can also sign their digital tokens with their own signature as a part of the NFTs' metadata.

## Blockchain in Simple Terms

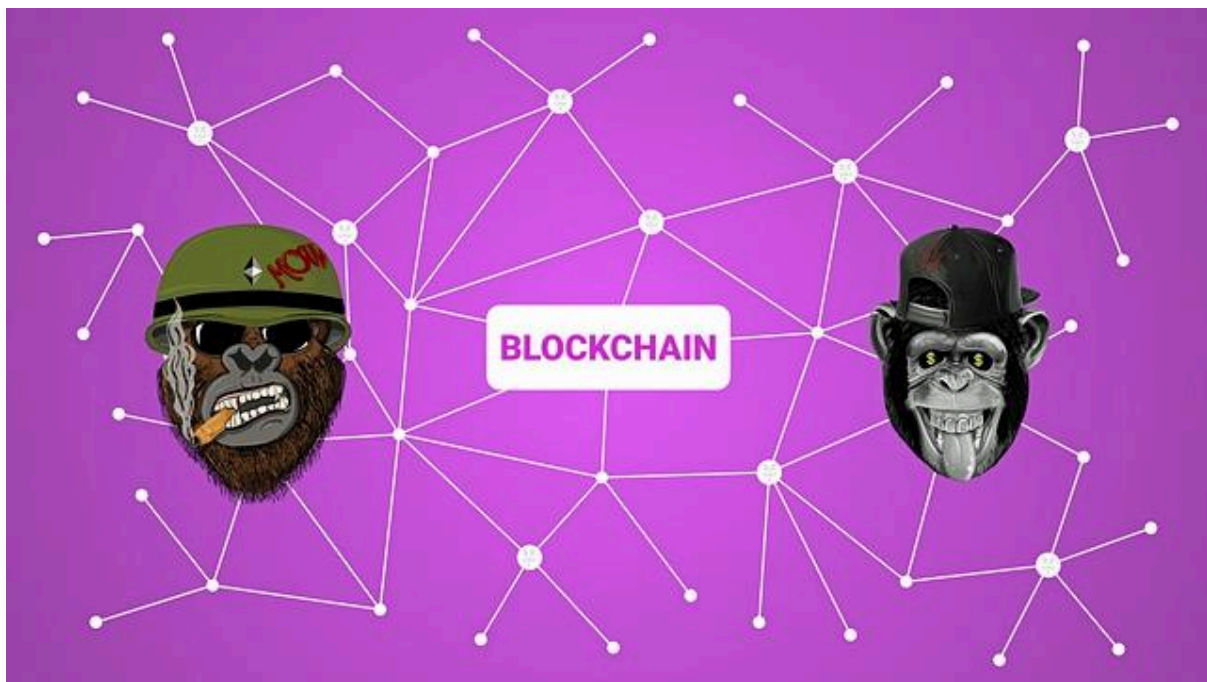


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Before thinking about going for an NFT tax accountant, you need to know the basics of NFT. Blockchain makes up for a huge part of the NFT basics, which is also why NFTs are highly secure means of storing and transferring data and funds. In simple words:

- Blockchain is a certain way to store a list of entries.
- Neither the list nor the entries can be changed easily after creation.
- Cryptography methods, such as hash functions and digital signatures, are in place to prevent any changes.



Special hash functions have been created to calculate a checksum over data. They return a value with the same length, regardless of the input length. Given the same input, hash functions return the same output (also known as a hash value or message digest).

Each block in a blockchain possesses a timestamp and some payload. The digital signature in each block enables the detection of changes made in the data since the digital signature was made.

These pieces of information seem hard to process. This is why it is best to have an [authorized NFT tax accountant](#) handle all NFT-related matters professionally.

There are protocols that all peers of a specific blockchain (which is a peer-to-peer network) use. These protocols state how they should communicate, how a new block should be created, and how a block should be verified.

For this reason, the data that resides in a block cannot be changed without consequences. It is necessary to change all blocks afterward. For this to happen, all peers, or most of them (depending on the protocol), must agree with the change.

Because blockchains are secure, they are used in situations where keeping accurate records and ensuring their integrity is essential. Medical records, management of identities, and voting are just some of its use cases.

## But, What Really Is An NFT?

Finding an NFT tax accountant is still a long way off. For now, let us see what the letters of NFT mean.

NFT = Non Fungible Tokens.

For simplicity's sake, fungibility is *the interchangeability of specific products*.

See, if you give your friend a dollar bill and later, he returns another dollar bill to you, there is no profit or loss. Why? Because the value of a dollar bill is equal to any other dollar bill. They are indistinguishable. They are interchangeable. They are fungible.

This fungibility is not always 1:1. For example, your friend might return four quarters to you instead of one dollar bill. However, the concept is still the same. Four quarters always equal a dollar!

The same concept applies to lots of other stuff, such as oil. When countries trade barrels of oil, they consider all barrels of the same value.

However, not everything is fungible! This is where you are going to need an NFT tax accountant to handle the taxation of those unique tokens.

Think you have a normal \$40 basketball that many others have. Does it still have the same value if you get it signed by Michael Jordan? Of course not! Because now, it is a unique ball, unlike all other balls.

Unique, distinguishable items such as a basketball signed by Michael Jordan are rendered as non-fungible. This is why NFTs are non-fungible. They are distinguishable, and they do not have the same value.

This is why the taxation of NFTs is not easy, and you need an NFT tax accountant to handle it for you.



# Differences Between NFTs and Cryptocurrencies

If you remember, [we talked about fungibility](#).

Well, cryptocurrencies are fungible. You can trade one for another without worrying about anything. One bitcoin is not going to be valued more than another bitcoin anyway.

Fungibility is what makes cryptocurrencies a reliable source of transaction in this digital age.

So, what about people who need unique items but in a non-fungible form? This is where NFTs come into play! This is also where taxation gets complicated, and everyone needs an NFT tax accountant.

NFTs have altered the paradigm of cryptocurrencies by turning each token into a distinguishable digital item that cannot be equal to another. You should also note that NFTs are extensible. You can combine two of them to breed another unique NFT.

## The NFT Market

Any wise investor analyzes the market before investing. This is why you should know the ins and outs of the NFT market and its hype, or you will be asking your NFT tax accountant to tax your losses.

As of right now, most of the current NFT market is focused on collectible items. These items might include digital artwork, sports cards, and rare items. People have spent millions of dollars on NFTs of NBA moments in the form of digital cards.

A collage of the first 5,000 days of work of a digital artist called Beeple was sold for nearly \$70 million. This was the most expensive digital art sold.

Moreover, the NFT of the first tweet ever tweeted (it was Jack Dorsey's tweet, saying, "*just setting up my twttr.*") was sold for nearly \$3 million.

## Talk to Me About Safety!

[Your NFT tax accountant](#) can handle your NFT taxation for sure. But what about safety?

[As you already know](#), NFTs, much like cryptocurrencies, use Blockchain technology. Blockchain brings a distributed nature that is rather difficult to attack. So, security is normally not a big issue.

However, one risk you should take into account is if the platform that hosts the NFT shuts down, you cannot get your hands on your token anymore.

## I want to know more!

There is still a lot to learn before you want to invest in NFTs and get yourself an NFT tax accountant. I know! So let's get to it.

NFTs allow us to enable a variety of tokens in one contract. What this does is that it enables us to provide escrow for NFTs of different natures in one transaction. For example, you can escrow artwork, real estate, and collectibles in one transaction.

We also talked a lot about NFTs representing the real estate. But how does that work?



Well, due to their paradigm-shifting nature, NFTs can create new markets and forms of investments. They can democratize the investment paradigms by turning physical assets such as real estate into fractions.

It is obvious that dividing a digital real estate asset among many owners is not a hard thing to do. However, doing so with a physical one would not be as easy. It is fairly obvious that the taxation of NFTs is equally difficult and needs [an NFT tax accountant](#).

Think about a piece of real estate. You fractionalize it into different divisions, each possessing distinctive properties and qualities. One division might be near to an entertainment complex while another one is near to nature.

This basically means that each piece of land is distinct and has a unique price.

A digital equivalent of a musical piece can have many owners instead of one, each responsible for a fraction of it. This enables revenue increase.

## Give me some examples!

Before heading over to the NFT taxation guide and where to find a reliable NFT tax accountant, let's see some examples.

As NFTs can depict any assets, whether they are real-world or online-only, you can find them in numerous examples. Digital artwork, real estate, domain names, event tickets, and in-game items such as skins and avatars are some of the things that can be turned into NFTs.

One example of real estate as NFT is Decentraland. It is a VR platform based on Ethereum's blockchain. Similarly, the Bored Ape Yacht Club (BAYC) has 10,000 NFTs of bored apes for sale. There has been ongoing hype about its expensive pricing.

Furthermore, cryptokitties are one of the most popular NFTs. They depict cats that have distinctive features on Ethereum's Blockchain. These cats are different from one another, and they have different prices in Ether.

The fun fact is that they breed with each other, creating new offspring with different and distinct qualities and values.

The fan base spent over \$20 million worth of Ether on buying, feeding, and looking after the kitties in a few weeks after cryptokitties was launched in November 2017. Some individuals even spent over \$100,000!

This shows how popular NFTs are in the world right now and why you should have an NFT tax accountant to take care of your NFTs' taxation. Without having one, you need to deal with too many complications.



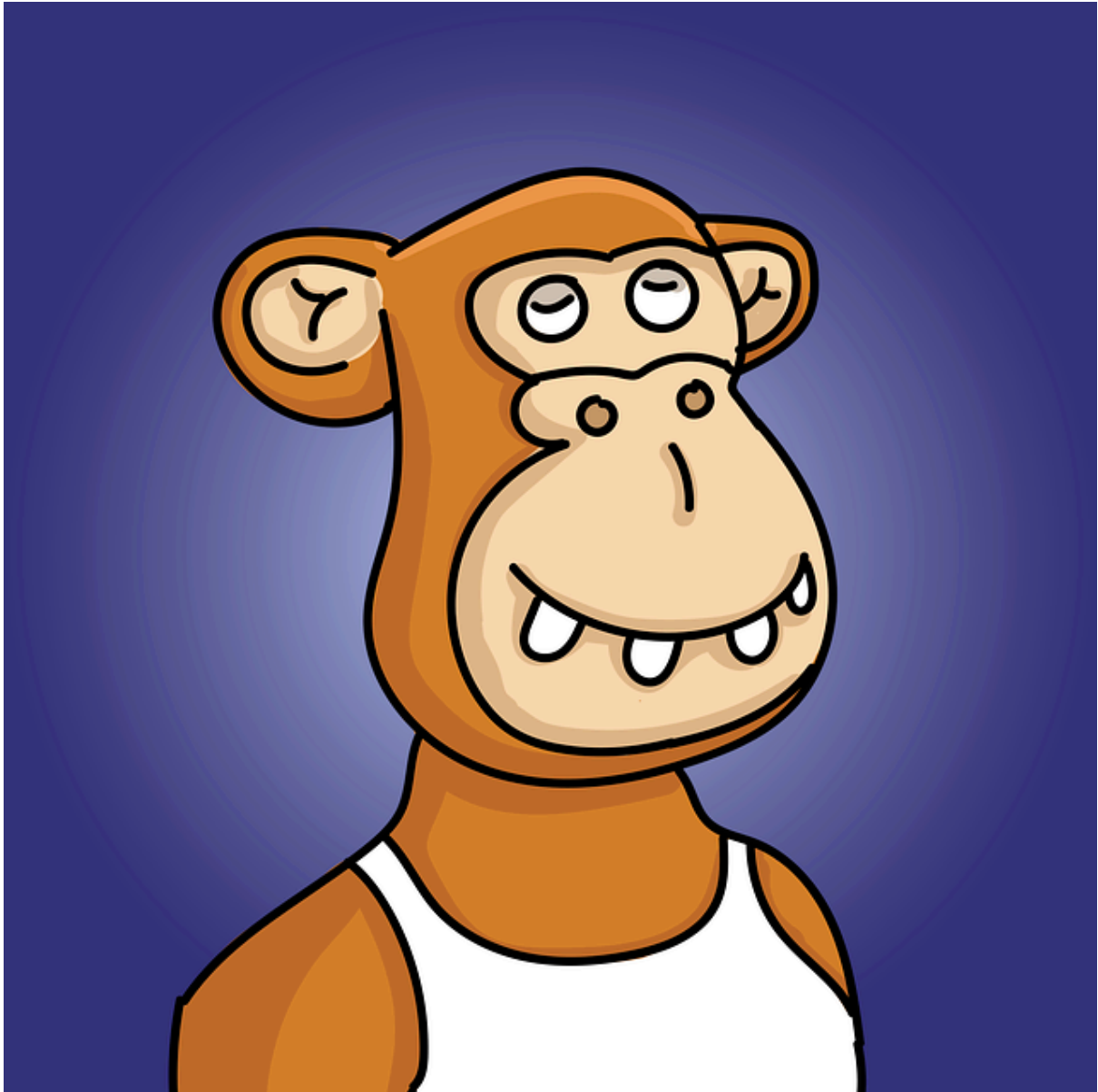


Image by [Sayyid 96](#) from [Pixabay](#)

Although the use cases above-mentioned do not seem that critical, many people have used NFTs for serious business implications, such as private equity transactions and real estate transactions.

## NFT Taxation Guide

There are a lot of ways to talk about NFT taxation. The tax implication depends on some factors, including whether you are an investor or creator and also what you have done with the NFTs you own.

But let's take a closer look at how the taxation is done exactly and why you are in dire need of an NFT tax accountant.





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## How You Are Taxed if You Buy NFTs

When you buy NFTs with crypto, the IRS treats it like a two-part transaction which is first, selling your crypto, and second, buying an NFT.

The first one is taxed as a capital gains transaction.

Let's imagine that Tom bought ETH for \$100 years ago, and now the price has gone up to \$1000. Tom now wants to purchase a Bored Ape NFT. However, because the NFT has gone up to \$1000, and the price of the Bored Ape is \$2000, per se, Tom has acquired a capital gain of \$1000 from the increase of his 1 ETH.

That is taxable when he's trying to purchase a Bored Ape NFT.

This is what your NFT tax accountant takes into account so that you get to avoid all this mess.

## How You Are Taxed if You Sell NFTs

If you ever try to sell your NFT in exchange for crypto, other NFTs, fiat currencies etc., you still need to pay taxes.

Following the same example, if Tom tries to sell his Bored Ape NFT after 6 months, and let's suppose he has gained \$12,000, this would mean he has gained short-time capital worth \$10,000 (\$2000-\$12,000). And as we know, short-time gains are taxable.



## Minting NFTs

Picture this scenario. Josh was about to mint an NFT just for the fun of it and use 0.1 ETH to mint. Now, if he purchased ETH for \$200 at first, and now that he wants to mint the NFT, it is worth \$400, the minting transaction would generate a \$200 capital gain for Josh.

Paying gas fees to mint an NFT is a taxable event.

*Please note that if Josh were a professional NFT creator who frequently mints NFTs, the \$200 would be considered ordinary income.*

Are you wondering if you can handle your NFT taxation and files yourself? Do you want to know if hiring an NFT tax accountant really makes a difference? Then let's continue.

## Can I Handle My NFTs Accounting? Or Do I Need an NFT Tax Accountant?

Now let's get to business! In this section of the article, we will see if you are going to need an NFT tax accountant or not.

Up until now, no specific standards have been mentioned for NFT accounting; therefore, managing your NFT tax business is very tricky.

However, it's understandable that these digital assets should be considered untouchable assets, recorded at their purchase price, and that NFT is an asset with an indefinite lifetime.

The bottom line is that if you are an NFT creator, you should be worried about its accounting. Handling your NFT taxation can be challenging and easily make things worse!

When it comes to accounting for your NFT, lots of questions can pop up in your head.

- *What are the latest NFT taxation guidelines?*
- *How do I value my NFT exactly?*
- *And, of course, What if its market value crashes?*

But no matter who you are, whether you are a musician, creator, investor, etc., you should know that you must record and report your NFT transactions thoroughly.

If your taxation is done wrongly, it can have quite a big impact on your financial status. So, yes, we recommend considering hiring a professional NFT tax accountant at [Lorenzo Tax](#) for your NFT business. It is a much safer option and can lead to a better taxation report, in general.

Bear in mind that choosing an accountant is not a very easy task. We'll help you find the best accountant with the criteria you're looking for that is also suitable for your NFT taxation.

**"Also Read:** [Reporting Taxes on Cryptocurrency](#)**"**

## Benefits of Having an NFT Tax Accountant

Hiring an NFT tax accountant to take care of your tax matters will be helpful in managing your finances. We'll list some of those benefits right here:

- An NFT tax accountant will identify each transaction, resulting in cost layers by asset and by a wallet.



- They will efficiently map ledger accounts related to each asset to different aspects of your financial reports.
- They will break down the cost footing by each wallet and each asset.
- You'll save a lot of time and energy not doing your taxation yourself.
- Using an NFT tax accountant will give your NFT business a strong structure like no other, with the potential to grow your business bigger and bigger.

In general, having an expert beside you helping you with taxation and your financial reports matters and can help you in many ways. Remember, we can't be experts at everything; sometimes, we need help!

## What Should I Look for When Finding an NFT Tax Accountant?

The general rule is that crypto assets are considered to be the equivalent of indefinite-lived intangible assets. This is a category that includes trademarks and never-ending franchises.

Your accountant should know exactly how to deal with these cases, be it selling NFTs, or buying or even minting NFTs.

There is an accounting treatment given to "goodwill," an accounting asset that results from one organization paying a premium (over-paying) for another organization which should be noticed when the job is in a professional accountant's hands.

Your NFT tax accountant should also know how to value your NFT and do your financial reports accordingly.

Also Read: [All You Need to Know About an NFT Tax Accountant](#)

## Where Can I Find an Authorized, Reliable NFT Tax Accountant?

Suppose you want your NFT business to be up and running without worrying about your taxation and dealing with the numbers yourself. In that case, you need to find yourself a qualified NFT tax accountant.

Now you might ask, *"But you said there are no specific standards when it comes to NFT taxation. So, how can I find an accountant who specializes in this area?"*

And you're totally right, but remember that there are many financial advisors out there who specialize in NFT taxation and do their research *every day* and surely can help you with your tax situation.

If you have made up your mind about getting an NFT tax accountant to take care of your taxation matters, we are here for you. We will do your taxation like no other accountant can!

[Contact us](#) and leave your NFT taxation in our hands!

## Final Words

It goes without saying that getting into the NFT game takes a lot of courage because nobody knows what's coming for them tomorrow! *Tomorrow's a mystery!* The market value of your NFT could simply go up or crash at any time of the day.



Be courageous and take risks but be cautious about it, too! Please also check our [Bitcoin Losses Taxes](#) blog post if your “risks” went beyond what you expected.

Once you’ve entered the game, you need someone to take care of your financial reports and your taxation. You’ll have to do it yourself or hire an NFT tax accountant. We discussed how hiring an accountant would be more convenient than doing your taxes yourself.

With the cautiousness and consultation of your accountant, you’ll see the difference in your annual financial and tax reports.

So, it is absolutely necessary for you to find a trustworthy, professional NFT tax accountant who knows what they’re doing.

[Contact us](#) if you want to choose us for your NFT taxation. We’ll take care of it *for you!*



Dear readers of the Lorenzo Tax newsletter,

Are you wondering if you should outsource your NFT tax calculations and filings to an authorized NFT tax accountant?

Do you know all the subtleties of NFT taxation and what happens if you do not pay your taxes accordingly?

Do you know exactly how your NFTs are taxed when you buy NFTs, sell them, or mint them?

Although things are not entirely clear regarding NFT taxation, an NFT tax accountant who knows the ins and outs of NFTs and tax regulations can up your game by a mile.

Not only can an accountant take your mind off tax calculations and filings, but they can also provide more accurate reports.

You will find [this article](#) (should be linked to this article) particularly useful if you are:

- an NFT creator;
- a professional NFT investor;
- or an NFT enthusiast who is about to enter the magical world of NFTs.

Our most recent article tells you all the details there are to know about NFT, blockchain, market, NFT taxation, and where you can find a reliable NFT tax accountant.

Tune in and check it out if you want to know more!

(Lorenzo Abbatiello, Founder and Principal of Lorenzo Tax)



# Twitter Threads

## Twitter Thread #1

Quite some time ago, you did not need to pay taxes for trades and exchanges. Ah, good old times!

Now, everything is taxed. You need to pay taxes for your NFT assets as well.

In this Twitter thread, Lorenzo Tax provides you with information on NFT taxation. 

IRS has shown so much interest in taxing NFTs, whether you are buying them, selling them, or minting them.

Buying NFTs with crypto is considered a two-part transaction:

selling crypto and buying NFT.

The first part is taxed as a capital gains transaction.

You still need to pay taxes if you want to sell your NFT for crypto, other NFTs, or fiat currencies.

You need to pay taxes for the capital gain you generate minting NFTs as well. However, if it is your job to frequently mint NFTs, your gain would be taxed as your income would.

You can check Lorenzo Tax website, learn more about NFT taxation rules, and get the service you need!

## Twitter Thread #2

Stop! If you are thinking of calculating your NFT taxes, just stop! Hear me out.

IRS is taking NFT taxation seriously. However, not everybody is an expert in these matters.

Actually, it is rather hard to figure out your NFT taxes correctly all the time, especially because tax regulations change frequently.

Even if they stayed the same, it is pretty hard to calculate the taxes correctly because of the subtleties and details of the regulations.

Getting yourself a reliable NFT tax accountant helps you ensure you are always on the safe side and you have nothing to worry about.

Whether you are an NFT creator, investor, or just an enthusiast, you need to take your mind off taxation and outsource it to your accountant.