

# How & When Should You Pay Florida Bitcoin Taxes?

Nowadays, everyone is talking about cryptocurrencies and Bitcoin.

Some would agree that it's human nature to seek ways to double our money in a short time. A lot of people suggest cryptocurrency to one another in the hopes that it will save them and make them wealthy.

Both are wrong; neither is right.

At first, entering the cryptocurrency world is exciting. But many people, including those in Florida, may forget one big thing when they think about getting rich by investing in Bitcoin.

Taxes!

Bitcoin investments are generally thought not to be taxable. Trading or investing in Bitcoin can, however, be taxed in some circumstances. Later in our article, we will mention them and how and when you should pay Florida Bitcoin taxes.



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## Why is Bitcoin So Popular? A Return to The Roots

Bitcoin is considered the first cryptocurrency introduced back in 2009 and is now the most famous coin in the market.

In 2009, an anonymous person or a group under the name of Satoshi Nakamoto sent out the Cryptography Mailing List at metzdowd.com, stating, "I've been working on a new electronic, entirely peer-to-peer cash system, independent of any third party."

People tend to associate cryptocurrency more with Bitcoin than with other coins. This virtual currency is designed to work as money and a form of payment, but as you just read, it works without any person, group, or government controlling it. Instead, it utterly relies on peer-to-peer software and cryptography.

There is no doubt that Bitcoin's popularity has inspired the development of other cryptocurrencies, which people use Bitcoin to pay for things.

You do not need to pay Bitcoins in their entirety. Rather, you can pay for things using smaller units of Bitcoin (satoshis). Bitcoin can also be used for other purposes. For example, a method of investment or a form of exchange.

Bitcoin design enables you to exchange values with others through a peer-to-peer network. The source code Bitcoin was built upon is also open-source, meaning its code is available for all to see.

## BitcoinCodebase & Blockchain System

Before getting to know everything about Florida Bitcoin taxes, we need to know what's really interesting and wonderful about Bitcoin and all the other cryptocurrencies: it does not require the involvement of intermediaries to validate transactions. So, how are they validated?

The cryptocurrency public ledger uses the "Blockchain" network to do so.

Blockchain allows your cryptocurrency transactions to be stored unchanged and easy to detect.

The network updates every person's copy of the ledger, so the new changes that have been made will also be included.

It's an utterly decentralized network, as it is not controlled by one specific organization. What makes Bitcoin a little bit risky and trustworthy at the same time is the fact that no one can edit the blockchain.

The codes used for the Bitcoin blockchain are also long and have random numbers put together, making it difficult to cause any type of fraud. This randomness in codes reduces the risk of fraud and makes it almost impossible for anyone to fake or do something fraudulent about it.

## Bitcoin Wallets: What are They?

When you start your journey in Bitcoin trading or investing, you will need to use a Bitcoin wallet. Bitcoin wallet is a platform where you can send and receive Bitcoin and other digital assets. The word "wallet" can be a little confusing as the real, physical wallet is something where you can store your money in it.

However, a Bitcoin wallet does not work that way.

When you start your journey in Bitcoin trading or investing, you will need to use a Bitcoin wallet. Your wallet will keep up with your cryptocurrencies and store information regarding your ownership over the crypto assets. Some professional Bitcoin wallets may also let you loan out your cryptocurrency to receive interest on the crypto assets you own.

Using a Bitcoin wallet is an easy task. There are various ways to receive and send cryptocurrency. If you have the recipient's wallet address, sending or receiving cryptocurrency should be no problem.

## Bitcoin Mining: How Does It Work?

If you have been into the cryptocurrency game, you must have heard about mining Bitcoin. Let's see what it exactly means.

Bitcoin mining refers to the act of adding new transactions into circulation. Those who mine use some type of software that helps them solve transaction-related algorithms. In exchange for using this software, they receive Bitcoin every time a block is mined.

When Bitcoin was first introduced, it was much easier to solve the hash since there were fewer miners. But as time passed by, more people started mining.

Back then, you could solve the hash with your own personal computer, but today that seems like an impossible task.

You can use your personal computer and join a mining pool in the mining software to actually mine Bitcoin.

The mining process requires miners to solve complex math problems that need expensive computers and large amounts of electricity. Miners should try their best to guess the hash's target, which requires major computing power.

Once a miner gets lucky and adds a block to the blockchain, they will receive 6.25 Bitcoin in return.

## Is Mining The Only Way to Obtain Bitcoin?

Well, no. Not everyone can mine Bitcoin, of course. That's why so many would rather buy Bitcoin instead of mining it. You can buy Bitcoin by using a cryptocurrency exchange. Simply open an account in one of the exchanging platforms, fund your account, and then purchase the cryptocurrency of your choice!

Of course, buying an entire Bitcoin is not affordable for most people. This is why you can buy portions of Bitcoin, as we previously mentioned in this blog.

Some people decide to buy and hold Bitcoin like a stock and basically put all their hope into that asset and see if the price goes up or not, and some use Bitcoin as a form of payment.

## Risks of Investing in Bitcoin

Many might want to purchase Bitcoin for its investment value and not as a means of exchange or payment. However, the US Securities and Exchange Commission (SEC) issued a document stating some risks around trading and investing in Bitcoin. So it would be best if you were cautious about those risks.

- **Security Risks:** Most people who own Bitcoin have bought their Bitcoin in digital markets, which are cryptocurrency exchanges. Bitcoin exchanges are entirely done in an online and virtual place. That's why they are vulnerable to hackers and glitches.

- **Fraud Risk:** Sure, using blockchains brings security to the process. However, there are still some cases where you can be the target of fraudulent activity, which is why you should always be aware of situations that can threaten your finances.
- **Market Risk:** Trading Bitcoins and other cryptocurrencies and investing in them can be risky and fluctuating. The market can experience a price rise or easily go downhill from time to time.

## How is Bitcoin Taxed in Florida?

Wouldn't it surprise you to find out that tax season is coming up, and you have no idea that your digital assets can also be subject to tax? It surely will.

Ethereum, Bitcoin, and other types of cryptocurrency can be taxable. Some situations require you to pay taxes in full, while others do not.

The IRS (Internal Revenue System) made it pretty clear that your cryptocurrency holdings are considered to be property for tax purposes!

In other words, when the IRS says that your cryptocurrency holdings are considered property, it means that they will be taxed the way your other assets will be.

While doing taxes is easy for those who have been in the cryptocurrency business for a long time, others struggle to calculate the amount they should pay for their cryptocurrency holdings.

Note: You can calculate how much tax you need to pay using the [top crypto tax software](#) of your choice.



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## When Are Taxes Due?

In some cases, you'll definitely need to pay tax on your crypto assets.

Those cases are when you;

- Sell Bitcoin for fiat money.
- Use Bitcoin to buy goods and services.
- Trade cryptocurrencies for each other.

When you decide to sell your cryptocurrency holding, the amount difference between the money you spent when you first bought/received it and the price at the time of sale is considered capital gains/losses.

Suppose you bought \$200 worth of Bitcoin two months ago. If you decide to sell it right now and see that the price has gone up to \$600, your capital gain will be \$400. But if you bought Bitcoin at \$200 and now it's \$100, you have faced a capital loss.

[Bitcoin losses tax](#) is a tricky way to reduce your tax money when you face a capital loss. If the amount of money you lost is more than your gains, you can deduct up to \$3,000 from taxable income.

Now, let's see two examples of when you should pay taxes and when you can forget about it all.

### Non-Taxable: Buying Bitcoin With Dollars

When you decide to purchase Bitcoin with dollars and keep it that way or transfer it to your wallet, taxes won't apply. So when you buy digital assets like Bitcoin, you don't have to [report taxes on your cryptocurrency](#) to the IRS at the end of the year.

### Taxable: Trading Bitcoin

As we read before, buying digital assets alone is not a taxable event. However, when you start using Bitcoin as a form of exchange, you need to pay taxes. For example, if you use Bitcoin to buy Ethereum or services and goods, you will be taxed.

The IRS has become very strict on those who dodge their Bitcoin taxes. If you have been avoiding your Bitcoin taxes so far, you should know that the IRS is now stricter than ever and will continue to chase you until you hand them the tax money out!

## A Detailed Look at Florida Bitcoin Taxes

You can learn a lot by reading our article about [Florida Bitcoin Taxes](#).

Overall, Florida has been very supportive of those who are involved with crypto-related activities.

Ron DeSantis—Florida governor—has declared that the US state of Florida does not have any problems accepting taxes in cryptocurrencies like Bitcoin from the businesses that are working in this state.



"I've told the state agencies to figure out ways where if a business wants to pay tax in cryptocurrency to Florida, we should be willing to accept that," said Governor DeSantis.

He also mentioned Bitcoin specifically and said that soon Florida would be accepting Bitcoin and other cryptocurrencies as means of payment.

Florida State is also working on accepting Bitcoin as a form of payment for businesses operating in Florida.

Colorado and Florida both have high ranks among the most crypto-positive states in the United States.



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## Final Words

Going above and beyond to be rich in the shortest time seems like something that you can possibly expect from investing in Bitcoin.

When people talk about Bitcoin and the time to pump or dump them, they mostly talk about getting rich and wealthy. Bitcoin taxes, however, are another aspect of cryptocurrency.

Most people think that cryptocurrency holdings are not considered to be property. However, the IRS thinks the exact opposite. In fact, it has put regulations in place that may sometimes require investors to pay hefty taxes by the end of the financial year.

In this article, we covered the cases where you have to pay taxes for your crypto holdings.

We also talked about the crypto-friendly state of the US, Florida, how Bitcoin is taxed over there, and whether they have set any regulations for cryptocurrency holdings.

Those who own digital assets and have been avoiding taxes need to start taking care of them to avoid tax invasion! Find professional help at Lorenzo Tax by [scheduling a call](#) and choosing from among our various financial [services](#).

## Newsletter

Dear readers of the Lorenzo Tax newsletter.

Bitcoin was introduced over a decade ago (14 years ago, to be exact). Since then, it has grown rapidly, and it has become the most popular cryptocurrency ever!

When people start trading or investing in Bitcoin, they tend to completely forget about one thing: taxes!

Although taxes are inevitable, investors aim to gain as much profit as possible.

Bitcoin taxes differ in every country and state in the United States. For example, some states like Alabama, Tennessee, Maryland, Virginia, and many others haven't issued any regulations regarding Bitcoin taxes.

The good news is that some states, namely Florida, do not impose income and state capital gains taxes. This is why Florida is considered to be one of the best places for investors.

Florida has also started working on accepting Bitcoin as a form of payment for businesses that operate in Florida just recently.

In our [latest article](#), we mentioned everything you need to know about Florida Bitcoin taxes. If you are keen on knowing more about it, don't forget to check it out!

You can [schedule a call](#) to seek professional help from Lorenzo Tax accredited CPAs and find the answer to whatever tax question you may have.

(Lorenzo Abbatiello, Founder, and Principal of Lorenzo Tax)

## Twitter Thread 1/

What do you know about cryptocurrency? Besides the tales about how they can make you rich ASAP?

People everywhere, including those in different states of the US like Florida, instantly think about Bitcoin when they hear something about cryptocurrency.

Well, who can blame them?

Even though we have thousands of other digital assets, Bitcoin is the most famous and the first digital asset introduced to the world.

Bitcoin has experienced many highs and lows and is still among the most popular digital assets.

Did you know that trading Bitcoin or spending it on purchasing services and goods can be subject to tax? Hopefully, you did. Otherwise, you're in trouble already.

But as with everything else, crypto taxation rules differ from one state to another, and some are more favorable about them.

Recently, the governor of Florida has declared that Florida is completely fine with accepting cryptocurrency taxes from businesses that are up and running in this state.

Florida is also working towards accepting Bitcoin as a form of payment.

## Twitter Thread 2/

You could be walking in the streets on a sunny day, and you could catch two random people talking about whether there will be a rise in the price of Bitcoin next week or not.

People nowadays are more aware of cryptocurrency, especially Bitcoin, and keep gathering more information and data to see the best time to buy or sell it.

With the ever-growing amount of news and information about cryptocurrency, most people still don't know that selling Bitcoin can be subject to tax as there will surely be capital gains or losses.

Every state in the United States also has some regulations regarding cryptocurrency taxes.

Some, however, haven't addressed the matter of cryptocurrency taxes.

Florida is among those states that have recently addressed this matter. The governor of Florida has recently said that they are willing to accept taxes on cryptocurrency from businesses operating in this state.

Of course, there is still a lot of space and time to develop clear regulations on Bitcoin taxes!