Characteristics of Top Crypto Tax Software

When it comes to cryptocurrency, we have three types of people:

- First, the people who know what cryptocurrency is but are not in the game.

- Second, the people who don't know anything about cryptocurrency.

- Third, the people who know what cryptocurrency is all about, enjoy being in the game, and make tons of profit from it.

Whichever type you are, we will walk you through the top crypto tax software in the market, and by the end of this article, you will know what characteristics you should be looking for when deciding between the top crypto tax software.

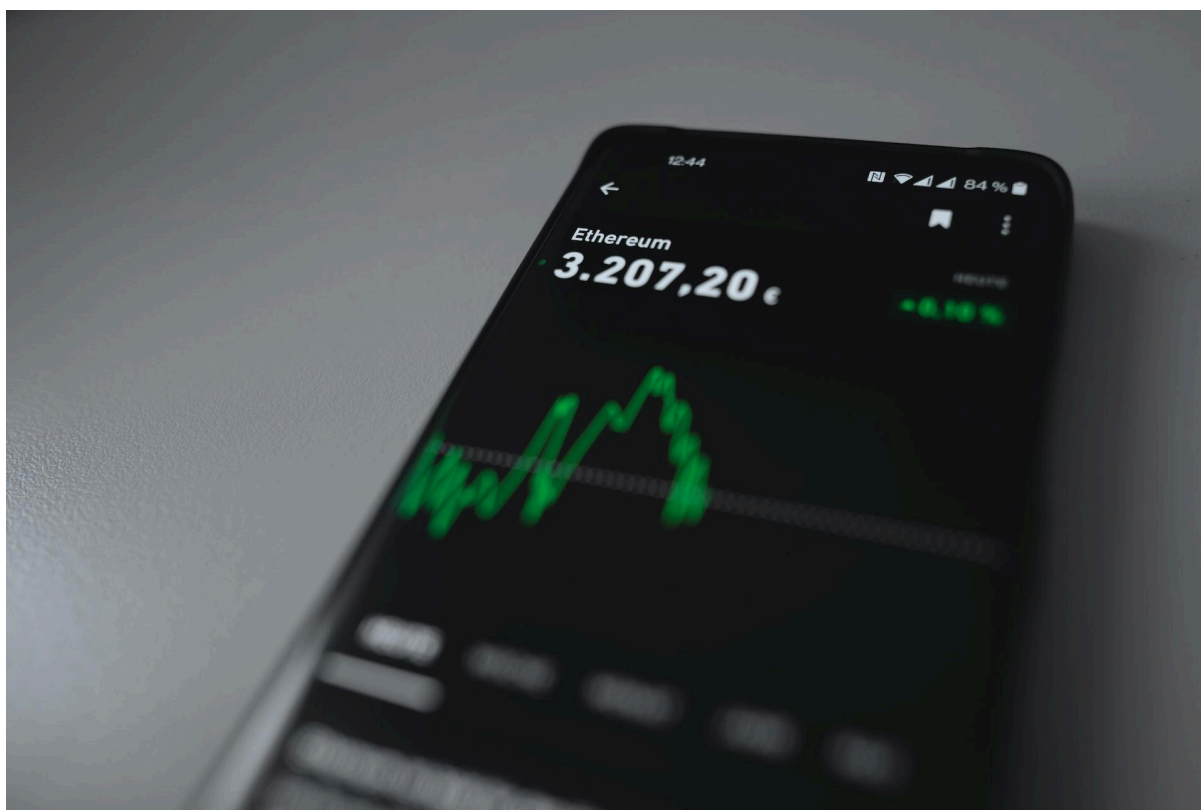As always, it wouldn't hurt to review some basics before moving to the software world, so keep reading.

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What Is Crypto?

When people ask this question, they may have some examples of crypto in their minds but not the actual definition.

Let's suppose you want to purchase something online. In this case, you will need a middleman like a bank or payment processor, which makes it accessible for them to track down your IP.

Now, if you decide to pay your purchases with crypto, you will have a peer-to-peer system. A peer-to-peer system allows everyone to send and receive payments without the middleman, AKA bank, for which you should also pay tax with the help of top crypto tax software.

Crypto received its name because it uses encryption to verify transactions. Why do they use encryption? Because encryption provides security and safety to those, who are the safety-first type.

Will Crypto Grow to Be the Future of Finance?

Crypto assets are utterly different from the traditional classes of assets.

In fact, cryptocurrency is believed to be one of the first alternatives to the old-school banking system; and, therefore, is becoming more popular day by day. They have many advantages over other payment methods.

You can hold cryptocurrencies such as Bitcoin, Litecoin, or Ethereum as investments or simply use them to buy goods and services.

Before continuing to read the characteristics of the top crypto tax software, we need to know that one thing that is very promising about cryptocurrency is the fact that no one cares where you were born or where you live.

You can have full access to crypto if you own a smartphone or any device connected to the internet.

Now, let's take a closer look at a cryptocurrency like Bitcoin. Bitcoin started at $0 in 2009 and is now worth thousands of dollars a coin today. Now, this might seem like something that would happen once in a lifetime, but there is no promise!

How to Buy Cryptocurrency

Before getting to know the characteristics of top crypto tax software, we should know that the sure way to purchase cryptocurrency is through an online exchange platform like Coinbase, crypto.com, Gemini, or Kraken.

On these platforms, you can purchase millions of coins every day. You can either invest in those coins or use them to buy things.

For example, if you were to purchase a laptop online, using Bitcoin as a currency to pay the price is the best option over using other cryptocurrencies.

One tiny mistake a beginner crypto-enthusiast can make is thinking that they need to buy a whole coin. You can buy portions of any coin, even for as little as 2 dollars of your local currency.

Will My Cryptocurrency Be Taxed?

Unlike contrary beliefs, the IRS (Internal Revenue Service) released its cryptocurrency guidance back in 2014 and is really strict on those guidelines. Those guidelines will help you calculate your crypto tax, but let's not forget the supremacy of using top crypto tax software.

In any case, the IRS is powerful when it comes to determining crypto as your property. This means that any property you have will be taxed.

However, you should know that buying crypto alone is not a taxable event. Even if you buy a cryptocurrency and hold it til the last day of your life, taxes won't apply. Taxes will apply whenever you decide to sell or trade.

What Are Taxable Events?

There are some taxable events that you need to be aware of. Taxable events happen when the value of what you have first bought increases and you:

1. sell your crypto for fiat money;

2. use crypto to purchase goods and services;

3. or trade one cryptocurrency for the other.

Basic Crypto Tax Rules You Should Know

Paying taxes with top crypto tax software is important, but before that, we should talk about the situations where you have to pay taxes on your cryptocurrency capital.

First, however, we should know what capital gains are.

Capital Gains

This term refers to the increase in the value of a capital asset you own. You will realize your capital gain whenever you decide to sell your capital asset.

Your investments in stocks and funds will experience capital gains at the time you decide to sell them. However, you need to know that there are two categories of capital gains.

- Short-term capital gains

When you buy or sell an asset in a year, meaning in a period of 365 days, you experience short-term capital gains.

Short-term capital gains are subject to the same tax rate you pay on your ordinary income, wages, and other forms of earned income which will be calculated with the help of top crypto tax software.

- Long-term capital gains

If you buy or sell an asset after a year, you experience long-term capital gains. The rates for long-term capital gains are generally lower than short-term capital gains.

Basically, the difference that you notice between the sales price and your basis is long-term capital gains.

What Can I Do to Reduce My Crypto Taxes?

1. Hold till your short-term capital gains turn into long-term capital gains

As we mentioned earlier, your crypto tax depends on how long you hold onto your crypto assets. However, you can use a trick here and reduce your crypto tax bill.

You can hold your cryptocurrency for more than a year and turn your short-term capital gains into long-term capital gains. This might not seem like the easiest task to do, but it's also not impossible!

2. Harvest your tax loss

Tax loss harvesting refers to selling some of your investments at a loss to offset your tax. This will result in only paying taxes on your profit and not your losses, which will benefit those who want to reduce their tax bills.

Also Read: [Bitcoin Losses Taxes](#).

3. Gift the assets to a family member

The IRS allows each individual to gift their assets up to $16,000 per year per person. When you transfer your assets to others, the new owner of assets might earn a low enough income that they don't have to pay taxes on the given property whenever they decide to sell.

How Can I Report My Crypto Tax?

The form to fill out for your crypto tax is called 8949, and you need to provide information like:

- Name of your cryptocurrency
- First date of purchase
- Sale, trade, or disposal date
- Sales price
- Cost basis
- Capital gain or loss

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

Photo by [Austin Distel](#) on [Unsplash](#)

Should I Use Crypto Tax Software?

Whether you use crypto tax software or not totally depends on you.

However, the results from those who have used it show that people are pretty satisfied with top crypto tax software as it makes managing their portfolio easier.

Also, manually taking care of your taxes seems like a tiring job.

People tend to use crypto tax software to save the energy, time, and focus that they spend on doing their taxes. Also, crypto taxation is a bit complicated, and surely using one of the top crypto tax software is not the worst idea and can be very beneficial.

Is Crypto Tax Software Safe?

Generally speaking, using the top crypto tax software should be safe as this software is not designed for trading, and you won't be asked to put important and sensitive information there.

However, one thing to look out for is malicious software.

This malicious software will try to trick you into putting your sensitive information in the software and potentially ruin your life!
There is eligible software out there that has been mentioned and approved. We will mention some of those later on in our article, so keep reading!

Is Crypto Tax Software Free?

It really depends on the software you choose to work with.

Some of the top crypto tax software in the market won't ask you to pay before using their platform and will offer some basic features for free, and later on, will try to sell extra features. On the other hand, there are many others that only allow you to use them after paying for their plans.

What Are the Characteristics of Top Crypto Tax Software?

Now that we know that crypto tax software is safe, free up to a point, and makes your taxation process easier, we are going to see what characteristics we should be looking for when we want to [choose top crypto tax software](#).

- ## Accepting several exchanges

This must be very important and necessary for those who live in other parts of the world and want to use their own currency.

- ## Allowing you to upload all cryptocurrency CSV files and data

If your software doesn't allow you to upload all cryptocurrency CSV files and data and connect APIs and wallets, you should do it manually, which will be very exhausting and not so user-friendly!

- ## Being easy to use

One of the very first things that people look for when choosing any kind of software is the ability to use it easily and without complication. This feature will make everyone curious and hooked on the top crypto tax software.

- ## Providing a free version

This should be very important for someone who likes to try out the software first, see what it's all about, and decide later on if the premium version is worth it.

- ## Being affordable on a paid plan

When you try out the free version of top crypto tax software, find it very useful and decide to purchase the premium (paid) plan, you want it to be affordable. The pricing of paid plans should vary based on how many transactions you make, how many people are using that top crypto software, etc.

- ## Offering good support and customer service

Your top crypto tax software should provide you with support via mail, SMS, or chat services if you feel like it! The best and top crypto tax software should have 24/7 support in case you face any problems doing your taxes in your crypto tax software.

- Enabling tax-loss harvesting

This should be very important for a top crypto tax software to have as it offers users a way to reduce their crypto tax to the minimum.

- Offering a portfolio analysis tool

Offering a portfolio analysis tool is necessary for a top crypto tax software because it will guide you into making better choices when buying, selling, or trading cryptocurrency. With the help of this tool, you will have a better understanding of what to do in the future to have a better portfolio and make more profits.

- Offering crypto tax professionals consultation

When a top crypto tax software offers consultation from tax professionals, you know that it's going to be a smooth journey for you. Crypto tax software work well for sure, but nothing can replace a good tax professional and the help they offer to you to make your journey smoother than ever!

Finding a Respectable Company

The sensitivity around doing taxes and accounting makes it very important to find safe crypto tax software.

You can't just trust any software you come across. It is important to review and use the info we mentioned when picking a top cryptocurrency tax software.

When you're choosing crypto tax software, you need good customer service and support. Mind you, a support team that is all IT and no tax experts won't help you to the fullest. The company you purchase the software from should be completely aware of the rules and forms of the IRS.

Final Word

Taxes won't go anywhere even if you try to escape them! You need to finally sit down and come up with a way to pay them that won't be all in the IRS's favor. Now, what's better than using top crypto tax software? They will make your taxation process way easier on you!

Don't hesitate to schedule a call with Lorenzo Tax crypto professionals in case you have any questions about your tax files, guidelines, or leeways.

Newsletter

Dear readers of the Lorenzo Tax newsletter,

Back in 2008, nobody would have guessed that cryptocurrency would be so prominent today. They would call you "crazy" for believing in cryptocurrency's potential.

But today, everything has changed, and we are the ones laughing at them!

As you know, cryptocurrency is big and very popular among people.

However, with all the crypto hype, you shouldn't forget the crypto tax in between!

No single person in the world likes doing their taxes, let alone crypto tax, with the complication behind it.

It doesn't matter if you hate even the idea of doing your taxes because crypto tax software comes to the rescue for all who need help with their taxation process.

All you need to start your journey with crypto tax software are:

- Name of your cryptocurrency

- Date of when you first purchased it

- Date of when you sold, traded, or disposed

- Sales price

- Cost basis

- Capital gain or loss

Once you have this information, all you need to do is put it in the software, which will calculate your taxes and give you the report.

There are some characteristics every investor should look for when finding a good crypto tax software, like:

- Accepting several exchanges

- Being easy to use

- Being affordable on a paid plan

Lorenzo tax professionals have mentioned more characteristics in the latest article, don't forget to check it out so you can, later on, decide to choose the top crypto tax software for your own use!

(Lorenzo Abbatiello, Founder and Principal of Lorenzo Tax)

Twitter thread 1/

People are becoming curious about cryptocurrency day by day.

The desire for wealth is making everyone think about buying and investing in cryptocurrency.

Cryptocurrency is a great opportunity for all the people who need a profitable business.

But in cryptocurrency, you have to pay taxes like in any other asset.

For paying taxes, we recommend using crypto tax software. They will make your taxation process so much easier for you.

You should look for some characteristics when finding your suitable crypto tax software. It should be affordable on a paid plan, provide you with a free version, and be easy to use.

Twitter thread 2/

Cryptocurrency is very popular now. However, something that people tend to do is turn away from it, thinking that the taxes would go away like that.

We're sad to tell you that they won't.

Doing taxes with the help of some software in the market will be much better for those who are busy with their lives and need a powerful platform to do it accordingly and in the best way possible for them.

When looking for crypto tax software, you should think about many features to find in your software. For example, if your software has a tax-loss harvesting tool, you can use it to reduce your tax bills. Or, if it has a portfolio analysis tool, it can guide you toward a better portfolio with a better future. So you can make much more profit. Your suitable software should also be very user-friendly and easy to use.

What else do you think are the characteristics of top crypto tax software?

Let us know in the quotes!