

# A Warning to Cryptocurrency Users from the Justice Department's Tax Division

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As you might expect during tax season, the Justice Department's press releases seem particularly focused on tax-related issues these days. At the start of this month, [DOJ sent a stern reminder to the public](#) that non-traditional currency users should not expect to escape federal tax law enforcement.

On April 1, the district court for the District of Massachusetts authorized a "John Doe" Summons to a company called Circle Internet Financial Inc. ("Circle"), allowing the IRS to obtain identifying information about U.S. taxpayers and customers of Circle who engaged in cryptocurrency transactions valued at \$20,000 or more over the last 4 years (from 2016-2020), as well as their transaction records. The government's application did not accuse Circle or any of its customers of wrongdoing. Instead, as reported in its announcement, the government argued that cryptocurrency can be difficult to trace and has an "inherently pseudo-anonymous aspect," which makes it possible for taxpayers to use it to hide taxable income. Granting the government's application, U.S. Judge Richard G. Stearns [found](#) that there was a "reasonable basis for believing that [Circle's cryptocurrency customers] . . . may have failed to comply with [federal tax laws]." It is expected that the IRS will use the information obtained through this John Doe Summons to further its investigation of potential tax fraud by owners of cryptocurrency.

The Summons and accompanying press release warn all cryptocurrency users that virtual currency which can be converted to traditional currency *is* subject to federal tax laws and that the IRS plans to root out those who may try to hide reportable income through difficult-to-trace virtual transactions. Guidance from the IRS on tax treatment of cryptocurrency can be found [here](#).

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