



# Exempt Organizations Update

Friday, June 17, 2022



# Welcome and Administrative Announcements

# Question/Comment Submission

Submit questions or comments for future speakers to the TIC TAQ Forum  
Comments Committee:

<https://www.eocouncil.org/TIC-TAQ-Comments-Submission>

For Council information – [admin@eocouncil.org](mailto:admin@eocouncil.org) or visit [www.eocouncil.org](http://www.eocouncil.org)

## Save the Dates:

November 18, 2022 – Live in DC / Virtual

March 2-3, 2023 – Live in DC

**Friday, June 17<sup>th</sup>, 2022**

**Time:**

**Topic:**

9:30 - 9:40 ET  
8:30 - 8:40 CT  
7:30 - 7:40 MT  
6:30 - 7:30 PT

**Welcome and Administrative Announcements**

9:40 - 11:10 ET  
8:40 - 10:10 CT  
7:40 - 9:10 MT  
6:40 - 8:10 PT

**IRS, Exempt Organizations Update and Q&A**

12:20 - 1:20 ET  
11:20 - 12:20 CT  
10:20 - 11:20 MT  
9:20 - 10:20 PT

**Cryptocurrency and Digital Assets for Charitable Organizations**

12:45 - 1:15 ET  
11:45 - 12:15 CT  
10:45 - 11:15 MT  
9:45 - 10:15 PT

**Break**

1:15 - 2:15 ET  
12:15 - 1:15 CT  
11:15 - 12:15 MT  
10:15 - 11:15 PT

**IRS Guidance Update**

2:20 - 3:20 ET  
1:20 - 2:20 CT  
12:20 - 1:20 MT  
11:20 - 12:20 PT

**Capitol Hill Update**

3:25 - 4:25 ET  
2:25 - 3:25 CT  
1:25 - 2:25 MT  
12:25 - 1:25 PT

**Incorporating Diversity, Equity, and Inclusion Values**

# Session 1: IRS, Exempt Organizations Update and Q&A

**Robert Malone, Director of Exempt Organizations and Government  
Entities, TEGE**

**Timothy Berger, Senior Technical Advisor to the Director EO:GE, TEGE**

**Moderators: Eve Borenstein, Harmon, Curran, Spielberg & Eisenberg, LLP  
Jennifer Becker Harris, Clark Nuber PS**



TEGE Council Meeting

Jumping In –

# Cryptocurrency and Digital Assets for Charitable Organizations

17 June 2022  
Crowe LLP



# Disclaimer

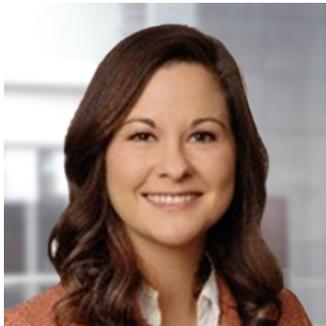
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## Presenters



**Lori A. McLaughlin**  
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**Diane Kirmaci**  
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# Course Description

*Cryptocurrencies and digital assets have been making headlines in the charitable space – and will likely continue to do so. These assets are quickly moving beyond early adoption and becoming increasingly mainstream as more people want to use them to invest, transact, and donate. Charitable donations of digital assets are becoming more and more frequent; however, the space continues to change quickly as governments begin to address and adopt regulations impacting these assets. And as more donors acquire and invest in digital assets, charitable organizations may miss out on potential revenue if they are unprepared to accept these donations. In this session, we will provide an overview of virtual currencies and digital assets, current and potential tax implications of accepting donations of digital assets, and suggestions on risks and issues to consider while navigating through the donation process.*

# Virtual Currency and Digital Assets

Virtual Currency and Digital Assets have been making headlines in the charitable space and will continue to do so. What do you need to know?

 COURTHOUSE NEWS SERVICE

Charities wade into NFT craze with mixed financial results

Alumni Equip Wake Forest University To Accept Cryptocurrency Donations

HOME » CRYPTO NEWS » SUSAN G. KOMEN ORGANIZATION NOW ACCEPTS BTC, ETH, SHIB, AND OTHER CRYPTOCURRENCIES FOR DONATIONS

Susan G. Komen Organization Now Accepts BTC, ETH, SHIB, and Other Cryptocurrencies for Donations

Author: Dimitar Dzhondzhorov • Last Updated Dec 27, 2021 @ 15:24

newsfile

**Crypto Billionaire, Mike Novogratz Collaborates with Rotary Fund to Launch His NFT for Charity**

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**CARE tests cryptocurrency vouchers for aid delivery in Kenya, Ecuador**

By Catherine Cheney // 13 August 2021

CRYPTOCURRENCIES

Crypto With A Cause: These Nine Charity Tokens Will Save The World

USA TODAY

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**Charities accept more bitcoin donations as a rise in cryptocurrency wealth fuels giving**

CNBC

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PERSONAL FINANCE

**Crypto donations to charity are booming. What to know before making a year-end gift**

businesswire

HOME SERVICES NEWS EDUCATION ABC

PUBLISHED FRI, DEC 24 2021-9:00 AM EST

**Growing Popularity of Cryptocurrency Could Fuel Charitable Giving**

Nearly half of cryptocurrency owners donated \$1,000 or more to charity in 2020, compared to one-third of all investors

Millennials express elevated interest in both charitable giving and cryptocurrency investing

Watch out: Crypto tax implications and donations of digital assets poorly understood

October 28, 2021 08:30 AM Eastern Daylight Time

CoinsCapture

Search Coins and Exchanges

**10 Universities That Accept Bitcoin Payments**

Author: MASSEY ALMEIDA

Published: 08 SEP 2021

Last Updated: 08 SEP 2021

# Agenda

- **Overview of Virtual Currencies and Digital Assets**
- **IRS Tax Guidance**
- **Risks and Issues while navigating the Donation Process**
- **What's Next?**





# Overview of Virtual Currencies and Digital Assets

# What is Cryptocurrency?

- Peer-to-peer, decentralized, digital asset
- Functions as a medium of exchange, a unit of account, and/or a store of value
- In some environments, it operates like “real” or fiat currency (i.e., a form of money/medium of exchange established by government regulation that has no intrinsic value, such as the U.S. dollar after President Nixon decoupled it from the gold standard in 1971)
- Does not have legal tender status in the U.S.
- Cryptocurrency is a type of virtual currency that utilizes cryptography to validate and secure transactions that are digitally recorded on a distributed ledger, such as a blockchain.



# Blockchain –

the underlying technology that powers bitcoin and other cryptocurrencies.

- Controls information through secure, auditable, and immutable records (transparent and permanent)
- Decentralized digital distributed ledger of transactions are recorded and replicated in real time across a network of computers or “nodes”
- Builds on a data structure of “blocks” that changes the way data is stored and exchanged
- Transactions are cryptographically validated through nodes that are permanently added as new blocks at the end of the chain (i.e., preventing modification of previous blocks)
- Capable of replacing central databases and third-party intermediaries



# Non-fungible tokens

- A digital asset that represents real-world objects like art, music, in-game items, and videos.
- Frequently bought and sold online, frequently with cryptocurrencies (ETH), and they are generally encoded with the same underlying software as many cryptos.
- Becoming an increasingly popular way to buy and sell digital artwork
- Generally one of a kind, or at least one of a very limited run, and have unique identifying codes.



## Other Definitions and Jargon

- **Wallet:** a method of storage (virtual or in hardware form such as a USB stick) that allows users to store private keys for cryptocurrencies, enabling users to send and receive coins.
- **Proof of work:** a system that involves using a high-powered computer to test a series of algorithms, or hashing functions, to validate and confirm transactions. It relies on trial and error to generate a random series of numbers and letters until the program comes up with one that matches the original value. Proof of work is highly secure, but also massively inefficient because it requires so much computing power and electricity. Cryptocurrencies using proof of work generally use roughly 1,000 times more electricity than those secured by proof of stake.

### A Basic Glossary of Terms for Crypto Newbies:

<https://www.morningstar.com/articles/1050329/a-basic-glossary-of-terms-for-crypto-newbies>

**Virtual currency**  
– terminology generally used by the IRS in its guidance.

**Digital assets** – this is a broad and inclusive term (includes things like Bitcoin, as well as NFTs (non-fungible tokens), securities on a blockchain, etc.)



## Other Definitions and Jargon

- **Airdrop:** Distribution as a promotional activity, usually for free.
- **Chain split:** Split in blockchain that results in two distinct blockchains with shared history until the chain splits.
- **Soft fork:** A change in the blockchain's protocol that all users must adopt in maintaining the blockchain.
- **Hard fork:** A change in the blockchain's protocol that results in two blockchains with shared history until the fork when there is a permanent divergence between the two chains going forward.



# Current IRS Tax Guidance

# IRS Guidance

In 2014, the IRS issued Notice 2014-21, 2014-16 I.R.B. 938, explaining that **virtual currency is treated as property for Federal income tax purposes** and providing examples of how longstanding tax principles applicable to transactions involving property apply to virtual currency.

In October 2019, the IRS has posted a FAQs document on issues related to virtual currency transactions:

**<https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions>**

This frequently asked questions (“FAQs”) expands upon the examples provided in Notice 2014-21 and applies those same longstanding tax principles to additional situations.

The IRS also issued Rev. Rul. 2019-24 and a Chief Counsel Advice (4/9/21) related to treatment of airdrop and hard forks.



# IRS Guidance

IRS FAQ - <https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions>

## For Donors

- Do you recognize gain/loss if you donate virtual currency to a charitable organization?
- How to calculate your charitable contribution deduction of virtual currency?

## For Charitable Organizations

- What are my donor acknowledgement requirements of virtual currency?
- What are my IRS reporting obligations regarding acceptance of virtual currency?

# IRS Guidance

## General rules for donors of virtual currencies

- Individuals or entities that donate virtual currency to a charitable organization described in Internal Revenue Code Section 170(c) will not recognize income, gain, or loss from the donation.
- The amount of the charitable contribution deduction may be different depending on the type of charitable organization receiving the donation.
  - Donations to public charities are generally equal to the fair market value of the virtual currency at the time of the donation if the virtual currency is held for more than one year.
  - Donations to private foundations are generally equal to the lesser of basis or fair market value of the virtual currency at the time of the contribution.



# IRS Guidance



## General rules for donors of virtual currencies

Donors are required to obtain documentary evidence of their donations. Donations of similar items of property must be aggregated.

- For contributions in excess of \$250, donors are required to obtain a contemporaneous written acknowledgement from the charity including name and address of the organization, date of the contribution, description of the property donated, states whether any goods or services were received in exchange for the donation, provides a good-faith estimate of the goods and services received, and is obtained on the earlier of before the due date of the return or the date the return is filed.
- For contributions in excess of \$500, donors are also required to file Form 8283.
- For donations in excess of \$5,000, donors are also required to obtain a qualified appraisal conducted by a qualified appraiser. Numerous requirements apply. Only one appraisal and one Form 8283 is required for a donation of aggregated similar items of property.

# IRS Guidance

## General rules for NGOs receiving virtual currency

- Charitable organization that receives virtual currency should treat the donation as a noncash contribution and receive the donor's carryover basis and holding period in the property.
- Tax-exempt charity responsibilities include:
  - Reporting non-cash contributions on a Form 990-series annual return and its associated Schedules B and M, if applicable.
  - File Form 8282, Donee Information Return, if it disposes of the charitable deduction property (or any portion thereof) - such as the sale of virtual currency for real currency as described in FAQ #4 - within three years after the date they originally received the property and give the original donor a copy of the form.



# IRS Guidance

## General rules for NGOs receiving virtual currency

- Charitable organizations can assist a donor by providing the contemporaneous written acknowledgment that the donor must obtain if claiming a deduction of \$250 or more for a donation.
- Charitable organizations are generally required to sign the donor's Form 8283, Noncash Charitable Contributions, if the donor presents Form 8283 to the donee for signature to substantiate the tax deduction:
  - The signature of the donee on Form 8283 does not represent concurrence in the appraised value of the contributed property, but merely an acknowledgement of receipt of the property described in Form 8283 on the date specified and confirmation that the donee understands the information reporting requirements imposed by section 6050L on dispositions of the donated.





# Risks and Issues while navigating acceptance of digital asset donations

# Virtual Currency and Digital Asset Issues for NGOs

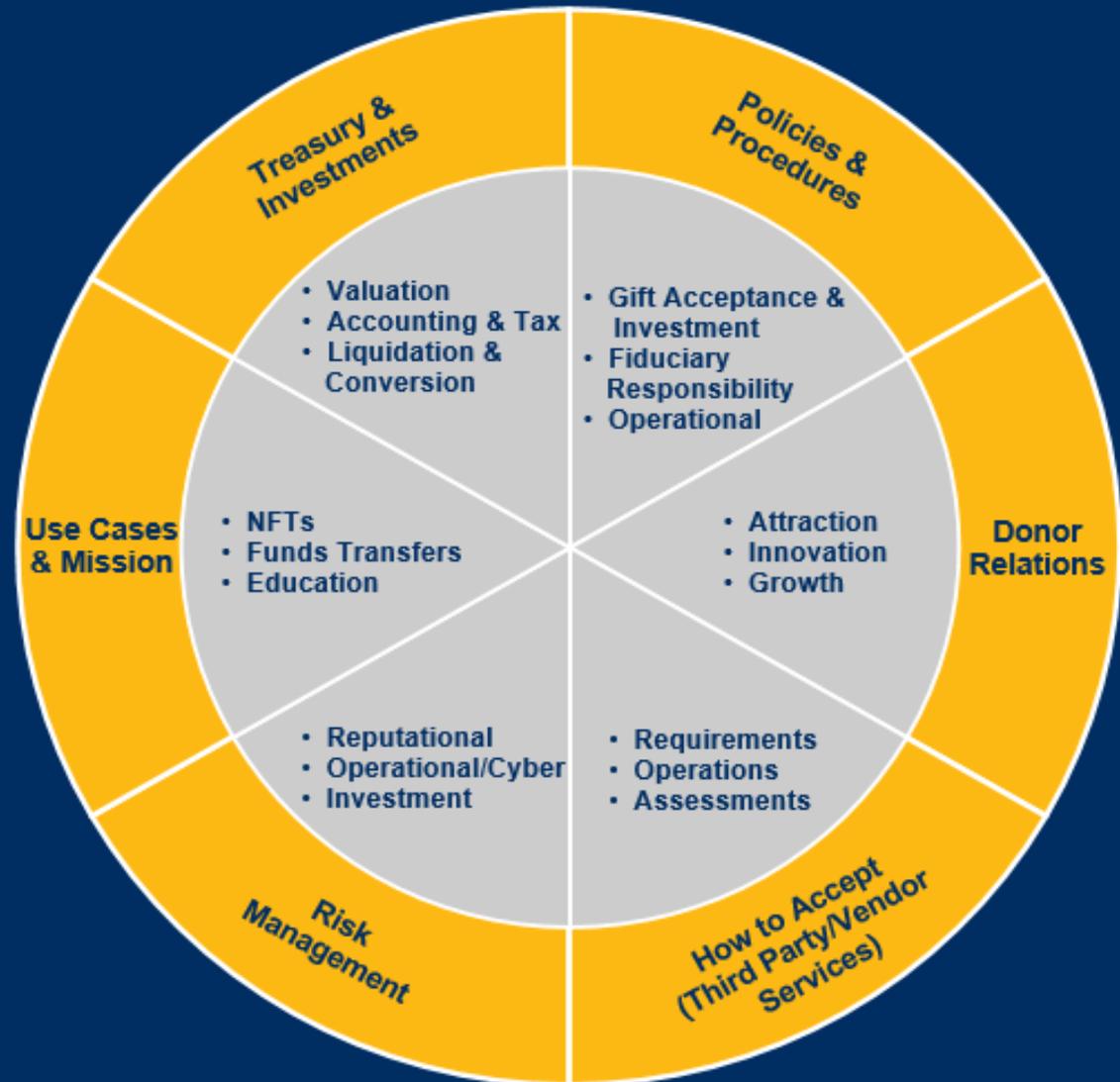


Know how to respond when opportunity knocks.

# Digital assets are an opportunity to drive new revenue for your Not-For-Profit.

Your process begins with an understanding of what you want to do...

We demystify how to capitalize on the volatility and opportunity for new revenue.





# What's Next

# Looking ahead

## Infrastructure Investment and Jobs Act, P.L. 117-58, enacted in November 2021

- Expansion of current broker reporting rules that could apply to a broad array of services and service providers that facilitate cryptocurrency transactions or services, as well as to decentralized and peer-to-peer networks
- Expansion of basis reporting to cover a broadly defined group of digital assets
- Inclusion of broad regulatory authority to the IRS
- **Expansion of current reporting requirements for recipients of more than \$10,000 in cash to include recipients of cryptocurrency,** These changes are effective for information returns required to be filed and statements required to be furnished after Dec. 31, 2023.

## Presidential Executive Order issued March 9, 2022

- facilitate a coordinated federal response to digital assets, including cryptocurrencies and related distributed ledger technology
- coordinated action plan that includes **anti-money laundering and efforts to counter the financing of terrorism actions** - the IRS is likely to be part of this action item



# Crowe materials

## Crowe Tax News Highlights:

- **“5 digital asset donations considerations for charitable contributions”**
  - <https://www.crowe.com/insights/tax-news-highlights/5-digital-asset-donation-considerations-for-charitable-organizations>
- **“Tax considerations for digital asset donations”**
  - <https://www.crowe.com/insights/tax-news-highlights/tax-considerations-for-digital-asset-donations>
- **“President issues executive order on digital assets”**
  - <https://www.crowe.com/insights/tax-news-highlights/president-issues-executive-order-on-digital-assets>
- **“New digital asset reporting requirements”**
  - <https://www.crowe.com/insights/tax-news-highlights/new-digital-asset-reporting-requirements>

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# Questions and Discussion





# Thank You

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Break

# IRS Guidance Update

**Amber MacKenzie, Attorney-Advisor, Office of Tax Policy, Department of Treasury (*Invited*)**

**Rachel D. Leiser Levy, Associate Chief Counsel, IRS (*Invited*)**

**Casey Lothamer, Area Counsel (Mid-Atlantic), IRS, Office of Division Counsel (TEGEDC)**

**Moderator: Preston Quesenberry, KPMG**

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# Capitol Hill Update

**Derek Theurer, House Ways and Means Committee, Chief Tax Counsel  
(Republican), U.S. Congress *(Invited)***

**Chris Arneson, Senior Tax Policy Advisor at U.S. Senate Committee on Finance**

**Moderator: Alexander L. Reid, BakerHostetler**

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# Incorporating Diversity, Equity, and Inclusion Values

TEGE Exempt Organizations Council

Exempt Organizations Update

June 17, 2022

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# Incorporating Diversity, Equity, and Inclusion Values

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**Kinman Tong**  
**Partner**  
**Moss Adams LLP**

Kinman's passion for diversity, equity, and inclusion (DEI) has encouraged him to help launch several business resource groups (BRGs) at Moss Adams, including PRiDE, Latinx, and Asian BRGs. He currently serves on his firm's Inclusion & Diversity Board, with the goals of explicitly living our core values, doing the work necessary to be an anti-racist firm, and creating an inclusive culture where everyone feels like they belong. In 2021, Kinman was honored by the San Francisco Business Times as one of its OUTstanding Voices, for being a leader who is out and making a difference in the business world.



**Tiffany Davis-Brantley**  
**Special Counsel**  
**Miller Nash LLP**

Before joining Miller Nash, Tiffany served as General Counsel, Chief Equity Officer, and Title IX Coordinator at Cornish College of the Arts in Seattle and as Associate Director of Diversity & Inclusion and Deputy Title IX Officer at the University of Puget Sound. Tiffany also serves on the Board of The Rainbow Center, an LGBTQ2SA+ organization in Tacoma, WA.

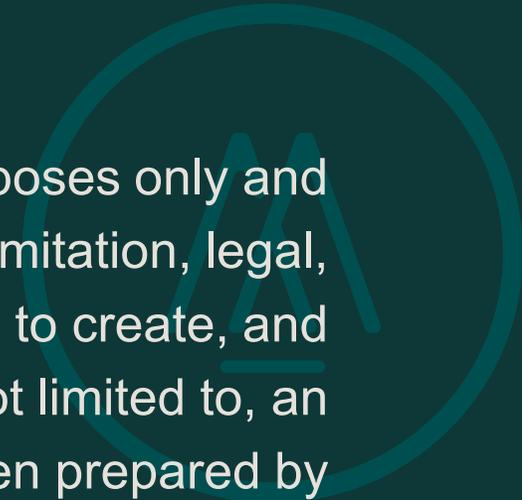


Thank you!

Questions?

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THANK YOU



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