

Tax Insights | July 12, 2023
Tracking Tax News,
You Need to Know



Kraken Ordered To Provide Client Information to IRS

A federal judge <u>ordered</u> cryptocurrency exchange Kraken to provide client-related information to the IRS for the agency's investigation of underreported tax payments. The IRS wanted information on Kraken's accounts that did \$20,000 or more crypto trading in any single year between 2016 and 2020. In a case against Payward Inc., which was established to operate Kraken, the IRS sought certain information, including users' names, birth dates, taxpayer ID numbers, physical addresses and email addresses.

Tax Court Reversed on Partnership Losses Tied to Unfiled Returns

The U.S. Court of Appeals for the Ninth Circuit <u>reversed</u> a Tax Court decision that concluded that two taxpayers did not owe tax deficiencies or penalties as a result of alleged partnership losses. The taxpayers claimed that partnership losses could be used to offset non-partnership income. The appeals court rejected the claim because the losses were reported on unsigned, unfiled tax returns.

Tax Deficiency Procedures Can Be Applied to Partnership Losses and Deductions

The U.S. Court of Appeals for the Eleventh Circuit <u>ruled</u> that the IRS correctly applied deficiency procedures when adjusting three taxpayers' claims of losses and deductions tied to a sham partnership. The court held that the IRS adjustments tied to the losses were determined at the level of partners as opposed to the level of the partnership. As a result, the taxpayers had a right to challenge the adjustments in court before paying the tax bill.



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