

Tax Insights | May 3, 2023
Tracking Tax News,
You Need to Know



## **IRS Says Protocol Upgrade Is Not Taxable Event**

The IRS <u>said</u> that upgrading the protocols of cryptocurrency will not result in taxable gain or loss or gross income to the cryptocurrency holder. Such an upgrade changes a blockchain's consensus mechanism for adding new blocks of transactions. To holders of the cryptocurrency, these additions provide block rewards. However, the IRS found that the upgrade does not lead to any gain, loss or accession to wealth on a taxpayer's existing holdings of the cryptocurrency.

## IRS Will Release Guidance on Partnerships' Monetization of Energy Credits

The IRS will release guidance on how partnerships can monetize clean energy tax credits provided in the <u>Inflation Reduction Act</u>. The guidance is related to the treatment of partnerships that wish to buy and sell the tax-and-climate law's clean energy credits. Partnerships are able to claim a direct pay regime when the credit is treated as a refund for three credits: the clean hydrogen credit, the carbon capture and sequestration credit, and the advanced manufacturing credit.

## **EU to Finalize Crypto-Asset Tax Reporting Rule**

European Union finance ministers plan to finalize a tax information-sharing rule for crypto-assets soon. Under <u>DAC8</u>, which will take effect in 2026, crypto-asset service providers must report transaction details to tax authorities in EU countries. DAC8 will require tax reporting for some crypto-asset categories like non-fungible tokens.



Christopher C. Scarpa
215.564.8106 | cscarpa@stradley.com



Jin Park
212.812.4140 | jpark@stradley.com

www.stradley.com | Pennsylvania | Washington, DC | New York | New Jersey | Illinois | Delaware

This communication is provided as a general informational service to clients and friends of Stradley Ronon Stevens & Young, LLP. It should not be construed as, and does not constitute, legal advice on any specific matter, nor does this message create an attorney-client relationship. The enclosed materials may have been abridged from other sources. They are provided for educational and informational purposes for the use of clients and others who may be interested in the subject matter. This material may be considered attorney advertising in some states. Please note that the prior results discussed in the material do not guarantee similar outcomes.

