

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



### **Kraken Ordered To Provide Client Information to IRS**

A federal judge [ordered](#) 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 [reversed](#) 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 [ruled](#) 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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