

Opinion: Should your business accept cryptocurrency?



BY: STEPHEN F. ATON, INDUSTRY INSIGHT

Posted online April 4, 2022 | 2:38 pm

Cryptocurrency only began in 2008, but it has become much more widely accepted over the past few years. The digital currency with no tangible form is now being accepted at more and more businesses as payment for goods and services. Home Depot, Microsoft, PayPal and Whole Foods are among the many companies accepting crypto payments. You may be considering it for your small business as well.

Things to know

Crypto payments do not use a third party, such as a bank, to verify transactions. The transactions run on a public ledger called blockchain, which records the encrypts of the transactions so they cannot be altered. While Bitcoin is arguably the best-known cryptocurrency, there are literally thousands of them. The currencies may be purchased through regular brokers or through crypto exchanges. It is also available for purchase through PayPal, Venmo and Cash App.

A survey by the Pew Research Center found that 43% of men and 19% of women between the ages of 18 to 29 have invested in, traded or used cryptocurrency. The likelihood of investing in crypto decreases with age, with only 7% of men and 4% of women over the age of 50 using cryptocurrencies.

If your customers and clients are younger, it may be beneficial to your business to accept cryptocurrency payments.

The volatility of cryptocurrency is often in the news. Some businesses may be wary of accepting it because of the potential loss in its value.

There are several payment processors, such as Bitpay, Flexa and PayPal that will immediately convert your cryptocurrency to dollars, reducing the risk of accepting a payment that may be subject to a rapid decline in value.

However, since there is no government oversight and security breaches may occur, you may want to look into cyber insurance.

Legal views

The receipt of cryptocurrency for goods and services does have tax implications. The IRS has spelled out many of the rules in Notice 2014-21. It states that virtual currency is treated as property. If a business receives a crypto payment for a sale, then the sales price would be the fair market value of the currency at the time it was received. Therefore, the gain or loss would be fixed at the time of the transaction, which is why many businesses will choose to convert the cryptocurrency to dollars at the time of receipt.

If you do not convert the payment to fiat currency, and the market value of the currency drops, you could end up owing more than you would in a traditional transaction. Standard state tax rules also would apply to cryptocurrency transactions.

Current Missouri law states that no person shall issue “checks” in the state for a consideration without first obtaining a license from the director of finance. A check is defined as any instrument for the transmission or payment of money, including any electronic means of doing so. The law exempts banks, trust companies and credit unions.

If not exempt, the application requires the applicant to purchase a corporate surety bond in the amount of \$100,000. Every licensee also must have on demand deposit an amount equal to all outstanding checks.

Such licensing requirements create a burden on crypto transactions that is not present on traditional transactions through a bank. A bill in the Missouri House of Representatives, HB 2672, was recently introduced to exempt cryptocurrencies from property tax and securities regulation. It also would exempt the sale or use of cryptocurrency from the money transmitter requirements and keep Missouri competitive with the laws in other states.

On the federal level, President Joe Biden on March 9 issued a long-awaited executive order on cryptocurrency. The order was less restrictive than the crypto financial markets expected, resulting in an 8% increase in value for Bitcoin. The order directs federal agencies to propose new rules to regulate crypto and to evaluate its impact on the economy. The fear was that government regulation would significantly harm the industry, but the order was generally well received.

Regardless, cryptocurrency is here to stay. And more small businesses should consider the benefits of accepting the currency which may increase sales and facilitate transactions with customers.

Stephen F. Aton is a Springfield attorney at Aton Law Firm, practicing corporate law and estate planning. He may be reached at SEP:steve@atonlaw.com.