



# Special Notice

## STATE BOARD OF EQUALIZATION

450 N STREET  
SACRAMENTO, CA 95814

### BOARD MEMBERS

BETTY T. YEE  
First District  
San Francisco

SEN. GEORGE RUNNER (RET.)  
Second District  
Lancaster

MICHELLE STEEL  
Third District  
Orange County

JEROME E. HORTON  
Fourth District  
Los Angeles

JOHN CHIANG  
State Controller

EXECUTIVE DIRECTOR  
CYNTHIA BRIDGES

BOE WEBSITE AND  
BOARD MEMBER CONTACT  
INFORMATION  
[www.boe.ca.gov](http://www.boe.ca.gov)

CUSTOMER SERVICE  
CENTER  
1-800-400-7115  
TTY  
711

JUNE 2014  
L-382

## Accepting Virtual Currency as a Payment Method

A growing number of businesses and individuals are now accepting virtual currencies (for example, Bitcoin, Litecoin, Dogecoin, or Peercoin) as a payment method for their sales of goods and services. Businesses and individuals who accept virtual currencies as a payment method should be aware that sales and use tax applies to such transactions in the same manner as transactions paid using traditional payment methods such as cash or credit card.

The Internal Revenue Service (IRS) explains that virtual currencies do not have legal tender status in any jurisdiction and virtual currencies should not be treated as United States currency or foreign currency, but instead, as property. (IRS Notice 2014-21 (3/25/14).) For the same reason, virtual currencies are not regarded as United States currency or foreign currency for purposes of the Sales and Use Tax Law.

### How does tax apply?

Tax applies to sales of tangible personal property in exchange for virtual currency in the same way as it does with any other sale of tangible personal property for a consideration.

### What is the measure of tax?

The measure of tax is the total amount of the sale or lease, whether received in money or other consideration.

**Regulation 1654**, *Barter, Exchange, "Trade-Ins" and Foreign Currency Transaction*, further provides that the measure of tax from a barter or exchange transaction includes any amount allowed by a retailer to the customer for property or services of any kind. Therefore, if a retailer enters into a contract where the consideration is virtual currency, the measure of tax from the sale of the product is the amount allowed by the retailer in exchange for the virtual currency (generally, the retailer's advertised selling price of the product.)

*Example: A restaurant sells a taxable meal to a customer with an advertised menu price of \$50. Customer pays the restaurant 0.065 bitcoin for the meal. The measure of tax from the sale of the meal is \$50, which is the amount allowed by the retailer for the 0.065 bitcoin at the time of the sale. Similarly, the restaurant sells a taxable meal to a customer with the menu price of \$50. Customer pays the restaurant 1 bitcoin for the meal. The measure of tax from the sale of the meal is still \$50. The restaurant should retain a copy of the menu in its records to document the measure of tax from its Bitcoin transactions.*

### What records should I keep?

Retailers accepting virtual currencies as payment should retain documentation on the amount for which they regularly sell the same or similar property to their customers when payment is made in United States dollars (cash, check, credit card, or debit card.)

*Accepting Virtual  
Currency as a  
Payment Method*

**Does the BOE accept virtual currencies as payment?**

No. The BOE does not accept virtual currencies as a payment method for any tax or fee program.

**How do I obtain more information?**

If you have any questions regarding this notice, please call our Customer Service Center at 1-800-400-7115 (TTY: 711). Customer service representatives are available to assist you weekdays from 8:00 a.m. to 5:00 p.m. Pacific time, except state holidays.