House Approves Representative Weninger’s Bill Providing Tax Clarity on Cryptocurrency & NFT Transactions

STATE CAPITOL, PHOENIX – The Arizona House of Representatives today passed HB 2204, legislation sponsored by State Representative Jeff Weninger that will provide state tax clarity on certain transactions involving virtual currencies and non-fungible tokens (NFTs).

“Virtual currencies and NFTs are going to transform everything that we know in the next ten years,” said Representative Weninger. “The State of Arizona should lead the way with this new technology. The provisions in my bill are intended to treat virtual currencies and NFTs in the same way that traditional assets are treated, and to provide needed clarity for taxpayers.”

The provisions of HB 2204 do three things, each of which aim to treat cryptocurrency and NFTs in the same manner and practice as is applied to traditional currencies.

• Allow a person to deduct currency transaction fees (“gas”) from their state taxes. As with traditional investments, such as stocks and mutual funds, incurred fees can be basically written off, which is referred to as adjusted basis. With cryptocurrency, such fees are referred to as “gas.” While adjusted basis for gas fees is currently allowed, it is only in IRS guidance, not in actual law. The bill codifies the deduction at the state level.

• Permits the value of virtual currencies and NFTs received through an airdrop to be considered a gift for state tax purposes.

• Allows a state taxpayer to deduct personal casualty loss related to virtual currency and NFTs that are stolen or hacked from a crypto wallet. The bill copies current Federal law (which is currently suspended until 2025) which allows state taxpayers to write off personal property or assets that have been stolen if certain criteria is met.

HB 2204 will now go to the Senate for consideration.

Jeff Weninger is a small business owner and Republican member of the Arizona House of Representatives serving Legislative District 17, which includes portions of Chandler, Gilbert, and Sun Lakes. Follow him on Twitter at @JeffWeninger.

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