

Gig economy, virtual currency and foreign income reporting requirements

March 15, 2022

In an information release, the IRS has reminded taxpayers of their reporting and potential tax obligations from working in the gig economy, making virtual currency transactions, earning foreign-source income or holding certain foreign assets.

Gig economy earnings are taxable | Generally, income earned from the gig economy is taxable and must be reported to the IRS. The IRS notes that taxpayers must report income earned from the gig economy on a tax return, even if the income is:

- From part-time, temporary or side work.
- Not reported on an information return form such as a Form 1099-K (Payment Card and Third-Party Network Transactions), 1099-MISC (Miscellaneous Income), W-2 (Wage and Tax Statement) or other income statement.
- Paid in any form, including cash, property, goods or virtual currency.

An IRS website, the [gig economy tax center](#), has more information.

Virtual currency reporting and tax requirements | The IRS reminds taxpayers that once again there is a question at the top of Form 1040 (U.S. Individual Income Tax Return) and Form 1040-SR (U.S. Tax Return for Seniors) asking about virtual currency transactions. All taxpayers filing these forms must check the box indicating either "yes" or "no." A transaction involving virtual currency includes, but is not limited to:

- The receipt of virtual currency as payment for goods or services provided.
- The receipt or transfer of virtual currency for free (without providing any consideration) that does not qualify as a bona fide gift.
- The receipt of new virtual currency as a result of mining and staking activities.
- The receipt of virtual currency as a result of a hard fork.
- An exchange of virtual currency for property, goods or services.
- An exchange/trade of virtual currency for another virtual currency.
- A sale of virtual currency.
- Any other disposition of a financial interest in virtual currency.

If an individual disposed of any virtual currency that was held as a capital asset through a sale, exchange or transfer, they should check "Yes" and use Form 8949 (Sales and other Dispositions of Capital Assets) to figure their capital gain or loss and report it on Schedule D (Form 1040).

If they received any virtual currency as compensation for services or disposed of any virtual currency they held for sale to customers in a trade or business, they must report the income as they would report other income of the same type (for example, W-2 wages on Form 1040 or 1040-SR, line 1, or inventory or services from Schedule C on Schedule 1). More information on virtual currency can be found in the instructions for Form 1040 and on the IRS's [Virtual Currencies](#) webpage.

Report Foreign Source Income | A U.S. citizen or resident alien's worldwide income is generally subject to U.S. income tax, regardless of where they live. They're also subject to the same income tax filing requirements that apply to U.S. citizens or resident aliens living in the United States.

U.S. citizens and resident aliens must report unearned income, such as interest, dividends, and pensions, from sources outside the United States unless exempt by law or a tax treaty. They must also report earned income, such as wages and tips, from sources outside the United States. An income tax filing requirement generally applies even if a taxpayer qualifies for tax benefits, such as the [Foreign Earned Income Exclusion](#) or the [Foreign Tax Credit](#), which substantially reduce or eliminate U.S. tax liability. These tax benefits are only available if an eligible taxpayer files a U.S. income tax return.

A taxpayer is allowed an automatic 2-month extension to June 15 if both their tax home and abode are outside the United States and Puerto Rico. Even if allowed an extension, a taxpayer will have to pay interest on any tax not paid by the regular due date of April 18, 2022.

Those serving in the military outside the U.S. and Puerto Rico on the regular due date of their tax return also qualify for the extension to June 15. IRS recommends attaching a statement if one of these two situations apply. The IRS notes that the [instructions for Form 1040 and 1040-SR, Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad](#) and [Publication 519, U.S. Tax Guide for Aliens](#) contain more information.

Reporting required for foreign accounts and assets | Federal law requires U.S. citizens and resident aliens to report their worldwide income, including income from foreign trusts and foreign bank and other financial accounts. In most cases, affected taxpayers need to complete and attach [Schedule B](#) to their tax return. Part III of Schedule B asks about the existence of foreign accounts, such as bank and securities accounts, and usually requires U.S. citizens to report the country in which each account is located.

In addition, certain taxpayers may also have to complete and attach to their return [Form 8938, Statement of Foreign Financial Assets](#). Generally, U.S. citizens, resident aliens and certain nonresident aliens must report specified foreign financial assets on this form if the aggregate value of those assets exceeds certain thresholds. See the instructions for this form for details.

Further, separate from reporting specified foreign financial assets on their tax return, taxpayers with an interest in, or signature or other authority over foreign financial accounts whose aggregate value exceeded \$10,000 at any time during 2020, must file electronically with the Treasury Department a Financial Crimes Enforcement Network (FinCEN) [Form 114, Report of Foreign Bank and Financial Accounts \(FBAR\)](#). Because of this threshold, the IRS encourages taxpayers with foreign assets, even relatively small ones, to check if this filing requirement applies to them. The form is only available through the [BSA E-filing System](#) website.

The deadline for filing the annual Report of Foreign Bank and Financial Accounts (FBAR) is the same as that of Form 1040. FinCEN grants filers who missed the original deadline an automatic extension until October 15, 2022, to file the FBAR. There is no need to request this extension.

