

**NEW JERSEY DIVISION OF TAXATION
REGULATORY SERVICES BRANCH
TECHNICAL ADVISORY MEMORANDUM**

TAM – 2015 - 1

ISSUED: 3-10-15

**TAX: SALES AND USE TAX
 CORPORATION BUSINESS TAX
 GROSS INCOME TAX**

TOPIC: NEW JERSEY TAX TREATMENT OF VIRTUAL CURRENCY

This technical advisory memorandum (TAM) concerns the New Jersey tax treatment of transactions involving convertible virtual currency, such as bitcoin and other cryptocurrencies.

Virtual currency is a form of “electronic/digital money” that can be used as a medium of exchange or as a form of digitally stored value. Taxpayers may use it to pay for goods or services, or hold it for investment. In some environments, virtual currency may operate like real currency (i.e. coin and paper money of the United States). Generally, virtual currencies can be digitally traded and purchased for, or exchanged into real or other virtual currencies, but do not yet have legal tender status in the United States.

Virtual currency that has an equivalent value in real currency or that acts as a substitute for real currency is “convertible” virtual currency. The sale or exchange of convertible virtual currency, or the use of convertible virtual currency to pay for goods or services, may have tax consequences that result in a tax liability.

Convertible virtual currency is treated as property for federal tax purposes. New Jersey conforms to the federal tax treatment of virtual currency as detailed in IRS [Notice-2014-21](#).

Sales and Use Tax

New Jersey imposes tax on the receipts from retail sales of tangible personal property, specified digital products, and enumerated services, unless a valid exemption exists. N.J.S.A. 54:32B-3(a).

The definition of sale includes a barter transaction. N.J.S.A. 54:32B-2(f). A barter transaction is comprised of two separate sale transactions. Each party to a barter transaction gives something of value to the other in order to receive something of value in

return. In a barter transaction, as in any sale, sales or use tax is due from each party based on the value of the property or services given in trade if what is received in exchange is subject to sales tax.

When a customer uses convertible virtual currency to pay for property the sale is treated as a barter transaction. As a result, if a seller uses convertible virtual currency as consideration for goods or services, sales tax is due based on the amount allowed in exchange for the virtual currency. If the customer that provides convertible virtual currency in the trade receives property that is subject to tax, the customer owes tax based on the market value of the virtual currency at the time of the transaction, converted to U.S. dollars.

Sellers who accept convertible virtual currency as payment for goods or services must retain documentation of the amount for which they regularly sell the same or similar property to customers when the payment is in U.S. dollars. Sellers must record in their books and records the value of the convertible virtual currency accepted at the time of each transaction, converted to U.S. dollars, and the amount of sales tax collected at the time of each transaction, converted to U.S. dollars. Sellers must remit any sales and use tax due in U.S. dollars.

Corporation Business Tax and Gross Income Tax

New Jersey will follow the federal treatment of convertible virtual currency to the extent that the Corporation Business Tax Act and Gross Income Tax Act follow the federal tax treatment of gain or loss from the sale or exchange of property.

A taxpayer will realize gain or loss on the sale or exchange of convertible virtual currency.

The fair market value of convertible virtual currency paid as wages is subject to New Jersey gross income tax withholding.

The fair market value of convertible virtual currency received for services performed by an independent contractor must be measured in U.S. dollars on the date the contractor receives it.

A payment made using convertible virtual currency is subject to information reporting requirements to the same extent as any other payment made in property.

For more information see IRS [Notice-2014-21](#).

Note: A Technical Advisory Memorandum (“TAM”) is an informational statement of the law, regulations, or Division policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions or changes in Division policies could affect the validity of the information presented in a TAM.