

Forum:[Hack Forums](#)

Thread: [Does the IRS know if I have a hardware wallet and trade between people?](#)

MystiKaL - January 14, 2021, 12:54 pm

Hey all, am pretty new to the BTC community and was doing some sparse reading.

My question is like the above -- if I purchase a Trezor One hardware wallet and only trade BitCoin on HackForums between members, is there any way the IRS able to trace this back to me?

If not, what if I were to transfer the BTC from a hardware wallet to the CashApp and convert it into cash?

Thanks for the read everyone and the patience!

MystiKaL - January 14, 2021, 1:00 pm

(Jan 14, 2021 01:58 PM)Focus Broken Wrote: [\[CITE\]](#) Nope ?

BTC/USD conversions on Cash App require your ID, so the history of your coins will be mostly tracable by the IRS (which Cash App reports to) if you do not coinjoin before depositing.

Ah I see. So that explains the people who are selling BTC to cash in the Marketplace threads so that their BTC is basically untraceable [for the IRS]?

Kill Joy - January 14, 2021, 1:30 pm

(Jan 14, 2021 02:00 PM)MystiKaL Wrote: [\[CITE\]](#) Ah I see. So that explains the people who are selling BTC to cash in the Marketplace threads so that their BTC is basically untraceable [for the IRS]?

Your banks keep track of your deposit activity too.

Your neighbors notice what you buy.

You will always have a trail to be tracked when it comes to it.

MystiKaL - January 14, 2021, 1:44 pm

(Jan 14, 2021 02:30 PM)Kill Joy Wrote: [\[CITE\]](#) Your banks keep track of your deposit activity too.

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Ah fair point. I should've led more with, "untraceable in regards to the IRS". I'm okay with the latter. I honestly don't have much financial means is the only reason why I was interested in taking this route with an investment of around \$100.

Kill Joy - January 14, 2021, 1:54 pm

(Jan 14, 2021 02:44 PM)MystiKaL Wrote: [\[CITE\]](#) Ah fair point. I should've led more with, "untraceable in regards to the IRS". I'm okay with the latter. I honestly don't have much financial means is the only reason why I was interested in taking this route with an investment of around \$100.

I don't think you understand. Banks also talk to and report to the government.

\$100 is not very much. \$100k is a different story.

We don't support fraud here. You do what you do, but we aren't going to suggest you commit fraud. Pay your taxes.

MystiKaL - January 14, 2021, 1:59 pm

(Jan 14, 2021 02:54 PM)Kill Joy Wrote: [\[CITE\]](#) I don't think you understand. Banks also talk to and report to the government.

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Totally understandable! The most I would be able to invest is \$100, \$200 might be pushing it and I currently have \$5 in BTC from mining.

(Jan 14, 2021 02:48 PM)Beau Wrote: [\[CITE\]](#) \$100 is not material and it shouldn't even be an issue even if you weren't to declare it on your Form 1040. ?

Edit; Unless Bitcoin mooned so hard that your capital gains are so massive even with the cost basis of \$100.

Ah fair haha. I wasn't entirely sure as to what constitutes as enough to be taxed on which is why I was leaning towards the side of "untraceability". Thank you!

Hopsin - January 14, 2021, 2:10 pm

You want to do this for fraud/avoid tax or just want fully anonymity?

Kill Joy - January 14, 2021, 2:25 pm

(Jan 14, 2021 02:59 PM)MystiKaL Wrote: [\[CITE\]](#) Totally understandable! The most I would be able to invest is \$100, \$200 might be pushing it and I currently have \$5 in BTC from mining.

I'm going to assume you are young or in big need of money. You should probably take that make and put it into a savings account and not an investment (stock or crypto).

You can sign up for Ally bank and they are a great place to hold a savings account. You can set up "buckets" which are different savings goals.

Perhaps set one up for a future expense such as college, a car, a new gaming system, etc. or set one up for an investment. Say \$500 or \$1000 and then throw that money into an investment.

Bob White - January 14, 2021, 2:33 pm

Let me clear up some misinformation for you. I've been doing taxes on and off my entire life, and my family owns a tax firm.

The IRS will not check your reported income against any bank activity unless you claim significant losses on large amounts of income or happen to be audited, or if you deposit significant sums of money (over \$9,999 at a time) regularly, or you appear to be structuring your deposits to avoid detection. These are situations where your bank may report to the IRS, or that the IRS could requisition statements should an audit take place.

The IRS by default cannot check your bank account to see how much money you have or your activity, this is unless you report major losses or report significantly different amounts than what your income sources have reported to them. Digital sources that require your name and social security number will generally report your income the IRS.

You will not generally be subject to audit unless you own a business of some sort.

TLDR: Unless you make a significant amount of money from on paper sources (those who report to the IRS using your social security number), you don't usually have to worry about any of this. Investments of any sort are also not taxed in the year you invest them, only the year you cash them out.

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