

GIANT, IMPORTANT DISCLAIMER: WE AREN'T GIVING LEGAL, TAX OR FINANCIAL ADVICE. PLEASE SEEK YOUR OWN COUNSEL FOR ANY DONATIONS. MANY OF THESE QUESTIONS ARE OPEN TO SOME INTERPRETATION, ARE GENERAL IN NATURE OR ARE UNIQUE TO A PARTICULAR JURISDICTION. ASSUME ALL ANSWERS ARE WRONG UNTIL YOU/YOUR DONOR CONFIRMS WITH HER/HIS ADVISOR.

Q & A from “Cryptocurrency Donations Explode – Are you Missing Out ?” Webinar, December 2020

QUESTION	ANSWER
Is the issue with NY CGAs resolved now? Are you able to issue in NY?	YES!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!! Will do about \$2 million in CGAs in NY, this month.
I read last month that a US government agency acquired a nefarious crypto account, I think by hacking into it. If that's true, does that raise concerns for the safety of crypto?	Security of the accounts is always a concern. Hacking is a serious threat to charities in this space, and we recommend that charitable planning account for it.
How do you know it they are legit with this many flowing in the market?	This is a KYD (Know Your Donor) type question - and in an odd way, you wouldn't necessarily know where their cash contribution came from either.
What is the difference between Bitcoin and Bitcoin Cash?	This gets very technical, but Bitcoin Cash was created as a result of what's called a "fork" in Bitcoin. It's sort of a spinoff to put it very roughly.
Does the charity need to know how the donor received the bitcoin - mining, investor or service?	Strictly speaking, no. But the charity should probably flag it for the donor because of the potential tax impacts it could have on them.
Funny to think that someone might invest in cryptocurrency because of the desire for stability (as their own country's currency may be exceptionally volatile) - considering how cryptocurrency valuation has fluctuated so extensively historically.	Agreed, but if you are in Venezuela with runaway inflation, you have to find an alternative that you can invest in - and with currency controls set up by the government, this can be a way around those rules "outside the system".

<p>Bryan, are you doing cryptocurrency appraisals for plain ol' Form 706 (estate tax return) purposes? Assume, no split interest trust or charity component involved.</p>	<p>Maybe 2% I am doing for non-charitable purposes - mainly transfers to trusts (like maybe iCLATS :-)), but the rest are straightforward outright gifts.</p>
<p>How do you think a private foundation would value altcoin for purposes of determining the 5% annual minimum distribution requirement? Treat like stock (valued once per month and averaged over year-end) or alternative asset (valued once per year, always at the same time per year)</p>	<p>It depends what their valuation strike date/formula is. I do one appraisal for a CRT with a 1/1 date, but never done one for any private foundation.</p>
<p>If the donor is giving the cryptocurrency through Dechomai, how is the appraisal handled? Do you have names of other appraisers that can be engaged?</p>	<p>Great question - yes, we are disqualified so we have found 2 other qualified appraisers.</p>
<p>NPT?</p>	<p>National Philanthropic Trust.</p>
<p>How long does it take for an institution to set up a Bit pay account or other processor?</p>	<p>We haven't gone that route so not sure how long it would take, but I would guess a few weeks.</p>
<p>Bryan, what do you think the best way is to document a gift of cryptocurrency to a charity - when there's nothing that associates a donor's or donee's identity with an altcoin or crypto account? In other words, how do you prove (1) that you are the one who made the donation (and are entitled to the charitable deduction) and that (2) that you gave the altcoin to the charity for the same reason. Do you think that handing over a hard wallet with an instrument of gift would work?</p>	<p>Yes, a cold wallet with an assignment instrument should work well. Otherwise, there is usually a clear transfer ledger on their hot wallet in terms of owner name and transaction date and donee. So that is usually what we use as back up documentation but, you are right, it can be tricky on the true source.</p>
<p>What is Bitcoin's percentage of the crypto market?</p>	<p>About 50% of the entire crypto market.</p>
<p>Will these slides be shared after the presentation?</p>	<p>Not directly, but the entire recording will be available and be free on the Resources/Webinar section of the Charitable Solutions, LLC website.</p>

<p>How often are financial advisors recommending that their clients purchase crypto?</p>	<p>Not much - most clients are doing their own educations/discovery and then are doing it themselves. These tend to be early tech adopters/survivalists (off the grid people)/investment traders.</p>
<p>As a charity, do we need to open a wallet to receive crypto currency donations?</p>	<p>Ryan will cover this, but yes, or use a processor like Bitpay. PayPal might be a new option early next year.</p>
<p>Is there any look-back on the appraisal or sale in terms of charitable deductions?</p>	<p>The way I do it is to fit the trading day to the donor's time zone, then look at the top three exchanges, by volume, that settle in USD. Then I take the high/low for each exchange for that day, and then take the average of the averages. So, it mimics public stock valuations.</p>
<p>How is crypto generated? What is basis of value?</p>	<p>It is usually generated through mining (basically solving mathematical puzzles). Some coins have a maximum amount of total coins - like Bitcoin. The value is what someone is willing to pay.</p>
<p>Are you familiar with a company called The Giving Block? They are a platform that supposedly facilitates the donation of cryptocurrency to nonprofits.</p>	<p>Kind of - there are a number of vendors trying to do this and I see they sign a lot of charities up, but I am not seeing many actual donations of much size. I would still say 98% of donations are going to 5 charities.</p>
<p>Is opening a wallet avoided by using a Payment Processor?</p>	<p>Yes.</p>
<p>Can you please clarify the interplay between the use being near anonymous and nearly eliminating fraud, counterfeiting, and identity theft? Those seem directly opposed to each other.</p>	<p>It is counterintuitive. The idea with cryptocurrency is that the transactions are effectively fraud-proof. For example, a classic fraud tactic like check kiting is impossible, as is something like a counterfeit Bitcoin (you couldn't "pass" a fake Bitcoin like you can a fake bill). But the transactions themselves are semi-anonymous and cannot be reversed – this is where the risk comes in.</p>
<p>Is there a way to "find" donors on our file through modeling or other means?</p>	<p>Hard to say. I'm not sure there is a "typical" Bitcoin donor, particularly since so many people bought crypto in 2017-18.</p>

<p>What fees does your organization charge?</p>	<p>For donations of easily liquidated cryptocurrency:</p> <ol style="list-style-type: none"> 1) For Bitcoin, Ethereum, Bitcoin Cash, and Litecoin: \$3,500 2) For Ripple, EOS, and Tether: \$4,000 3) For all other cryptocurrencies: \$4,500 <p>For appraisals, the fee for the first virtual currency appraisal is \$600, with additional currencies or additional appraisals for \$350.</p>
<p>So does the payment processor (Bit Pay) require all the extensive institutional information that opening a wallet requires?</p>	<p>It's a similar process, although maybe a bit more streamlined. For more details, see https://support.bitpay.com/hc/en-us/articles/203010446-How-do-I-apply-for-a-merchant-account-</p>