

BONUS RESOURCE 2

Companion Workbook Excerpt

Bitcoin Tax Strategy Workbook — Chapters 1–5

KryptoWolf | www.kryptowolfbtc.com

This excerpt covers the foundational exercises from the first five chapters. The complete workbook — including all 15 exercises, every template, and fully worked examples — is available at www.kryptowolfbtc.com

WORKBOOK INTRODUCTION

This workbook is designed to be completed alongside the book, not after it. Each exercise is keyed to a specific chapter. Work through them in order. By the time you reach Exercise 5, you will have a clear picture of your current tax exposure, your method options, and your estimated savings from switching.

What you need before you start:

- Your complete transaction history from every exchange you have used (download as CSV)
- A list of every wallet address you have used
- Your most recent Form 1099-DA (if received)
- Your most recent federal tax return (to identify your income bracket)
- A calculator or spreadsheet

Time required: Approximately 90 minutes for this excerpt. Plan for a full afternoon for the complete workbook.

EXERCISE 1 — THE SELF-ASSESSMENT QUIZ

Keyed to Chapter 1

Instructions: Answer each question honestly with Yes or No. Do not look ahead. Total your Yes answers at the end.

1. Do you hold Bitcoin that you purchased more than 12 months ago and have not yet sold?

Yes No

2. Have you ever moved Bitcoin from an exchange to a hardware wallet or personal wallet without documenting the original purchase price at the time of the transfer?

Yes No

3. Do you currently use the default cost-basis method on your exchange (or are you unsure which method your exchange uses)?

Yes No

4. Have you used more than one exchange or purchased Bitcoin from more than one source in the past three years?

Yes No

5. Did you receive a Form 1099-DA this year with missing cost basis, a zero cost basis figure, or proceeds that don't match your records?

Yes No

6. Have you sold or disposed of Bitcoin in the past 12 months without first checking whether waiting would have changed your tax rate?

Yes No

7. Have you experienced any period in the past two years where your Bitcoin was worth significantly less than what you paid — and you did not claim a tax loss?

Yes No

8. Do you currently lack a written record-keeping system that documents the cost basis, acquisition date, and disposal details for every Bitcoin lot you hold?

Yes No

YOUR SCORE: _____ out of 8

WHAT YOUR SCORE MEANS:

Score	Risk Level	Priority Chapters
0–2	Low risk — strong foundation	Chapters 6, 9, 12
3–4	Moderate risk — gaps exist	Chapters 2, 5, 8
5–6	High risk — likely overpaying now	Chapters 2, 5, 7, 13
7–8	Critical — immediate action needed	Start at Chapter 2, work through sequentially

Notes on my score:

EXERCISE 2 — BASELINE LIABILITY WORKSHEET

Keyed to Chapter 2

Purpose: Calculate your estimated current tax liability under FIFO defaults — before any optimization. This number is your starting point. Write it down. Keep it visible. It is the problem this book solves.

PART A: WALLET AND EXCHANGE INVENTORY

List every account where you currently hold or have previously held Bitcoin:

#	Platform / Wallet	Type (Exchange / HW Wallet / SW Wallet)	Approximate Current BTC Balance	Records Available?
1				<input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No

#	Platform / Wallet	Type (Exchange / HW Wallet / SW Wallet)	Approximate Current BTC Balance	Records Available?
2				<input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No
3				<input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No
4				<input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No
5				<input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No
6				<input type="checkbox"/> Yes <input type="checkbox"/> Partial <input type="checkbox"/> No

Total BTC across all accounts: _____ BTC

PART B: REALISED GAINS THIS YEAR (DISPOSALS ALREADY MADE)

For every Bitcoin disposal event this tax year — sales, swaps, spending — complete one row:

Date of Disposal	Amount (BTC)	Proceeds (\$)	Cost Basis — FIFO (\$)	Gain / Loss (\$)	Holding Period (ST / LT)
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Total realized gains (FIFO): \$ _____ **Total short-term gains:** \$ _____
Total long-term gains: \$ _____

PART C: ESTIMATED TAX LIABILITY ON REALISED GAINS

Use the rates below to estimate your current tax liability on already-realized gains.

Short-term gains (held under 12 months — taxed as ordinary income):

Your estimated federal income tax bracket: _____ %

Short-term gains × your bracket = \$ _____

Long-term gains (held over 12 months):

Your estimated LTCG rate (use the table below): _____ %

Filing Status	0% Rate Up To	15% Rate Up To	20% Rate Above
Single	\$47,025	\$518,900	\$518,900+
Married Filing Jointly	\$94,050	\$583,750	\$583,750+

Note: These are 2024 thresholds. Confirm current-year figures at irs.gov before filing.

Long-term gains × your LTCG rate = \$ _____

TOTAL ESTIMATED TAX LIABILITY (FIFO DEFAULT): \$ _____

PART D: UNREALISED GAINS (BITCOIN NOT YET SOLD)

This section calculates potential future liability — useful for planning, not for filing.

Wallet / Exchange	BTC Amount	Average Cost Basis (\$/BTC)	Current Price (\$/BTC)	Unrealized Gain (\$)	Months Held
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Total unrealised gain (FIFO): \$ _____

Your current exposure if you sold everything today at market price, using FIFO cost basis.

BASELINE NUMBER TO BEAT: \$ _____

Write this on a sticky note. This is what optimization is reducing.

EXERCISE 3 — HOLDING PERIOD TRACKER

Keyed to Chapter 3

Purpose: Flag which of your Bitcoin lots have already crossed the 12-month threshold (long-term) and which have not (short-term). This determines your tax rate on every future disposal.

The rule: Bitcoin held for more than 12 months before disposal qualifies for long-term capital gains rates — which are significantly lower than short-term rates for most holders.

LOT-BY-LOT HOLDING PERIOD LOG

For every distinct purchase (lot), complete one row:

Lot #	Purchase Date	Amount (BTC)	Purchase Price (\$/BTC)	Cost Basis (\$)	12-Month Date	Status Today	Notes
1						<input type="checkbox"/> LT <input type="checkbox"/> ST	
2						<input type="checkbox"/> LT <input type="checkbox"/> ST	
3						<input type="checkbox"/> LT <input type="checkbox"/> ST	
4						<input type="checkbox"/> LT <input type="checkbox"/> ST	
5						<input type="checkbox"/> LT <input type="checkbox"/> ST	
6						<input type="checkbox"/> LT <input type="checkbox"/> ST	
7						<input type="checkbox"/> LT <input type="checkbox"/> ST	
8						<input type="checkbox"/> LT <input type="checkbox"/> ST	
9						<input type="checkbox"/> LT <input type="checkbox"/> ST	
10						<input type="checkbox"/> LT <input type="checkbox"/> ST	

How to fill in "12-Month Date": Add exactly 366 days to the purchase date (or identify the same calendar date one year later). If that date has passed, the lot is long-term. If it has not, note the date in your calendar as a trigger.

UPCOMING LONG-TERM CROSSOVER DATES

List every lot that will cross the 12-month threshold in the next 6 months — these are your highest-priority timing decisions:

Lot #	Amount (BTC)	Cost Basis (\$/BTC)	12-Month Date	Gain if Sold Today (\$)	Tax Rate Change (ST→LT)
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Set calendar reminders for each of these dates. The rate difference on a significant lot can represent thousands of dollars in a single transaction.

EXERCISE 4 — TAXABLE EVENT AUDIT

Keyed to Chapter 4

Purpose: Review your transaction history and correctly classify every event as taxable, non-taxable, or requiring documentation even if not immediately taxable.

QUICK REFERENCE: TAXABLE EVENT CLASSIFICATION

Action	Taxable Event?	Documentation Required
Selling Bitcoin for USD	✔ Yes	Date, amount, proceeds, cost basis
Selling Bitcoin for another cryptocurrency	✔ Yes	FMV of crypto received = proceeds
Spending Bitcoin on goods or services	✔ Yes	FMV at time of purchase = proceeds
Receiving Bitcoin as payment for work	✔ Yes — ordinary income	FMV at time of receipt = income
Transferring Bitcoin to your own wallet	✘ No	Record transfer to preserve cost basis chain
Transferring Bitcoin to another person's wallet	✔ Yes (if sold) or Gift rules apply	Depends on intent and relationship
Receiving Bitcoin as a gift	✘ No (at receipt)	Record donor's cost basis for future disposal
Giving Bitcoin as a gift	✘ No — if under annual exclusion	Document FMV at time of gift; gift tax rules apply above exclusion
Donating Bitcoin to a qualified charity	✘ No capital gains	Document FMV at time of donation for deduction
Bitcoin fork or airdrop received	✔ Yes — ordinary income	FMV at time of receipt
Mining Bitcoin received	✔ Yes — ordinary income	FMV at time of receipt
Staking rewards received	✔ Yes — ordinary income	FMV at time of receipt
Lost or stolen Bitcoin	⚠ Depends — consult CPA	Document thoroughly; rules are unsettled

YOUR TRANSACTION AUDIT

Go through your transaction history and categorize each event:

Date	Transaction Description	Amount (BTC)	Taxable?	Correctly Reported?	Action Needed
			<input type="checkbox"/> Y <input type="checkbox"/> N	<input type="checkbox"/> Y <input type="checkbox"/> N	
			<input type="checkbox"/> Y <input type="checkbox"/> N	<input type="checkbox"/> Y <input type="checkbox"/> N	
			<input type="checkbox"/> Y <input type="checkbox"/> N	<input type="checkbox"/> Y <input type="checkbox"/> N	
			<input type="checkbox"/> Y <input type="checkbox"/> N	<input type="checkbox"/> Y <input type="checkbox"/> N	
			<input type="checkbox"/> Y <input type="checkbox"/> N	<input type="checkbox"/> Y <input type="checkbox"/> N	
			<input type="checkbox"/> Y <input type="checkbox"/> N	<input type="checkbox"/> Y <input type="checkbox"/> N	
			<input type="checkbox"/> Y <input type="checkbox"/> N	<input type="checkbox"/> Y <input type="checkbox"/> N	
			<input type="checkbox"/> Y <input type="checkbox"/> N	<input type="checkbox"/> Y <input type="checkbox"/> N	

Flagged items requiring correction or further documentation:

EXERCISE 5 — METHOD COMPARISON CALCULATOR

Keyed to Chapter 5

Purpose: Run your actual purchase history through all four cost-basis methods to see the exact dollar difference each produces. This is the core exercise of the book. Do not skip it.

WORKED EXAMPLE (Complete this first, then run your own data below)

Scenario: Daniel purchased Bitcoin across four separate transactions and then sold 0.5 BTC.

Lot	Purchase Date	BTC Amount	Price Paid (\$/BTC)	Cost Basis
Lot A	Jan 15, Year 1	0.25 BTC	\$28,000	\$7,000
Lot B	Apr 3, Year 1	0.25 BTC	\$35,000	\$8,750
Lot C	Sep 10, Year 1	0.50 BTC	\$42,000	\$21,000
Lot D	Feb 20, Year 2	0.50 BTC	\$52,000	\$26,000

Sale: 0.5 BTC on December 1, Year 2 at \$68,000 = **\$34,000 proceeds**

Method	Lots Used	Cost Basis Applied	Taxable Gain	Holding Period
FIFO	Lot A (0.25) + Lot B (0.25)	\$7,000 + \$8,750 = \$15,750	\$18,250	Long-term
LIFO	Lot D (0.50)	\$26,000	\$8,000	Short-term
HIFO	Lot C (0.50)	\$21,000	\$13,000	Long-term
Specific ID	You choose	Depends on selection	You control	You control

Note: LIFO produces the lowest gain but short-term treatment — potentially a worse outcome depending on your bracket. HIFO produces a lower gain than FIFO with long-term treatment. This is why the method decision requires understanding your full situation.

Tax on FIFO gain (at 15% LTCG rate): \$2,737 Tax on HIFO gain (at 15% LTCG rate): \$1,950 Difference: \$787 on a single 0.5 BTC transaction

YOUR DATA: METHOD COMPARISON

List your Bitcoin lots and the disposal(s) you are analyzing:

MY LOTS:

Lot Purchase Date BTC Amount Price Paid (\$/BTC) Cost Basis (\$) Status (ST/LT)

- A
- B
- C
- D
- E
- F

MY DISPOSAL:

Date: _____ Amount: _____ BTC Proceeds: \$ _____

METHOD COMPARISON:

Method	Lots Used	Cost Basis Applied (\$)	Taxable Gain (\$)	Holding Period	Estimated Tax (\$)
FIFO					
LIFO					
HIFO					

Method	Lots Used	Cost Basis Applied (\$)	Taxable Gain (\$)	Holding Period	Estimated Tax (\$)
Specific ID (my choice)					

POTENTIAL SAVING vs. FIFO DEFAULT:

Best method gain: \$ _____ FIFO gain: \$ _____ Difference in gain: \$ _____
 _____ Estimated tax saving (at your rate): \$ _____


This is the number your exchange was leaving on the table.

REFLECTION QUESTIONS:

1. Which method produces the lowest taxable gain in your scenario?

2. Does the lowest-gain method also produce the most favorable holding period (long-term)?

3. What additional information would you need to make a final method selection?

 **The complete workbook — Exercises 6–15 covering method selection, wallet reconciliation, loss harvesting, advanced strategies, and the full 1099-DA reconciliation process — is available at:**

www.kryptowolfbtc.com

Free with email signup. No subscription required.