

Digital Asset Theft Loss Deductions are More Complicated Than You Think

Article By:

Andie Kramer

From fully disclosed initial investment to pump-and-dump schemes, digital asset theft loss deductions are more complicated than you think. Back frauds of various kinds are nothing if not creative, and digital asset theft loss deductions involving digital assets. Thus, **Exit Scams/Rug Pulls**, **Phishing**, **Misrepresentation/Pig Butchering**, **Extortion/Ransomware**, and **Ponzi Schemes** are all common types of digital asset theft loss deductions. This article discusses the complexities of these deductions and provides guidance on how to maximize your deductions. **Exit Scams/Rug Pulls** Exit scams, also known as rug pulls, occur when a cryptocurrency project's creators suddenly disappear, taking the project's funds with them. This is often done to avoid paying investors back. **Phishing** Phishing is a type of fraud in which a person is tricked into giving up their private keys or other sensitive information. This is often done by impersonating a legitimate organization. **Misrepresentation/Pig Butchering** Misrepresentation, also known as pig butchering, is a type of fraud in which a person is tricked into investing in a cryptocurrency project. This is often done by making false promises of high returns. **Extortion/Ransomware** Extortion, also known as ransomware, is a type of fraud in which a person is tricked into paying a ransom to a criminal. This is often done by threatening to release sensitive information. **Ponzi Schemes** Ponzi schemes are a type of fraud in which a person is tricked into investing in a project that promises high returns. This is often done by making false promises of high returns. **Conclusion** Digital asset theft loss deductions are more complicated than you think. This article discusses the complexities of these deductions and provides guidance on how to maximize your deductions. **Disclaimer** This article is for informational purposes only and does not constitute an offer of legal advice. **References**

- Internal Revenue Service, *Publication 590, Tax on Securities, Investment Income, and Estates* (2023).
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