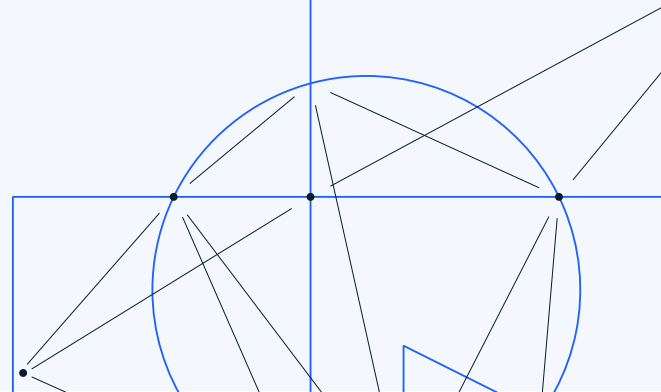




## 7 Pillars of Highly Effective Tax Agencies

# Pillar 5: Case Building



Effective case building is essential for tax authorities to streamline investigations, reduce cycle times, and enhance productivity. Once cases are selected using a structured modeling process, tax authorities can enrich case files with critical data to support examiners, investigators, and inspectors. This step – **scaling your crypto tax operations through case building** – ensures that investigations are well-informed and actionable.

## Leveraging blockchain intelligence and data aggregation

Regardless of the framework used, blockchain intelligence and data aggregation tools are key to developing robust cases. These tools enable tax authorities to analyze crypto transactions, identify potential risks, and gather key insights, such as:

- A complete portfolio balance over a given time period
- Full transactional history, which may reveal asset dispositions (e.g. trades with a decentralized exchange or purchases through an NFT auction house) and crypto-based income (e.g. AirDrops, mining, staking)
- Direct and indirect connections to Virtual Asset Service Providers (VASPs), which may surface previously unreported accounts
- Direct and indirect connections to other unhosted wallets belonging to the taxpayer
- Direct and indirect connections to potential illicit sources of wealth, (e.g. scams, hacks, darknet marketplaces)
- Signatures®, or on-chain fingerprints of transactional activity which could surface evidence of money laundering, tax evasion, or fraud

Case building can also include the identification and inclusion of additional wallet address data from [blockchain intelligence providers](#) that would help complete the holistic picture necessary for the audit, and allow for a more manual process to evaluate the possible instances of indirect links and risks.

## Integrating on- and off-chain data

Since taxpayer activity extends beyond blockchain transactions, integrating off-chain data is crucial. By combining blockchain intelligence with existing tax records and third-party reports, tax authorities can develop a holistic view of taxpayer activity.

By assembling this data, tax authorities can provide investigators with initial insights into:

- Pro forma tax calculations
- Investigative leads into what data is missing and where that data may be located
- A unified view of the individual's activity across all types of assets
- Possible flags for areas requiring specific follow up

Ultimately, by leveraging blockchain intelligence and data aggregation tools, tax authorities can develop rich data environments for an investigator – complete with transaction timestamps, a detailed accounting of the activity history, pro forma tax calculations, and investigative leads.

Here, a tax authority may consider a variety of technical tools, including API feeds and/or direct software licenses for these types of technology services. Collectively, this enables tax authorities to be more targeted and efficient in what would otherwise be an overly complex and manual analysis.