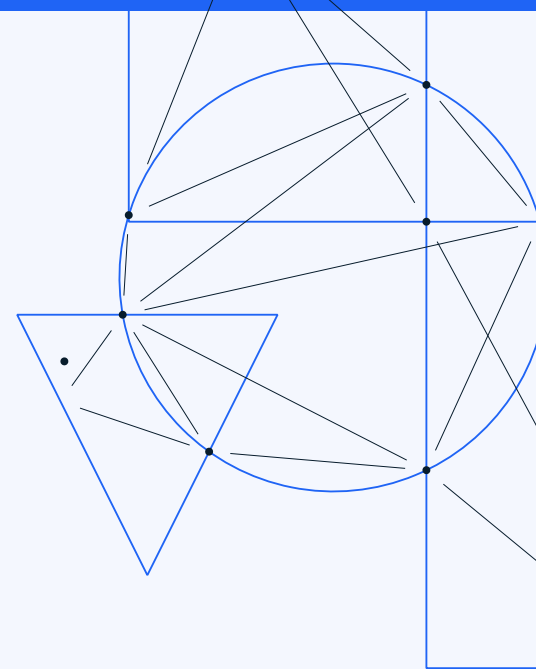




## 7 Pillars of Highly Effective Tax Agencies

# Pillar 1: Building Crypto Competency Across the Workforce



The crypto ecosystem is rapidly evolving from a niche investment option to a more mainstream asset class. Adoption rates are climbing globally, with notable percentages in regions like the US, Europe, and emerging markets. As crypto has matured, it has also ushered in diverse applications and use cases beyond mere speculative trading – including services like custody, tokenized assets and funds, remittances, and everyday payments – fostering a complex ecosystem where both retail and institutional actors actively participate.

But this shift has also increased the ways in which [taxpayers trigger taxable events](#) and intensifies tax compliance risks – ranging from uncertainty or a lack of knowledge of tax reporting requirements, to intentional, deliberate underreporting and [tax evasion](#).

Consider, for example, the application of crypto as a **payment mechanism**. The value of payments received or sent may represent income or tax deductions in a traditional sense – but the use of crypto assets as the method of value transfer adds an additional layer of complexity. Here, the receipt and disposal of assets need to be tracked for separate tax reporting requirements relating to the acquisition and disposition of property. This increased complexity can drive up **noncompliance** for taxpayers – who may be unclear on how to report accurately. And it can create opportunities for bad actors – who use this complexity and the pseudonymous nature of crypto assets to introduce taxable on-chain events and circumvent tax liabilities.

Collectively, blockchain intelligence and crypto tax software tools can help tax authorities overcome these obstacles. Together, they enable effective tracking of on-chain activity, assets, taxable events, and potential fraud – ultimately bridging the knowledge gap and supporting tax compliance efforts. In this series, TRM Labs and TaxBit will explore the seven key pillars or principles tax agencies should keep in mind to help shore up their crypto tax compliance efforts. Up first: **building competency across the workforce**.

## Learning objectives for specific roles to increase crypto competency

Building in-house crypto expertise involves a combination of role-based learning pathways and scalable hybrid learning models – blending in-person and virtual training.

To develop a robust learning framework, tax agency leaders should identify role-specific training needs that align with operational objectives. This tailored approach ensures that personnel across various departments receive targeted knowledge and practical skills relevant to their responsibilities – outlined below.

Role within tax agency	Crypto asset learning objectives
<b>Tax examiner / inspector</b>	<ul style="list-style-type: none"><li>• Identify and address issues during an examination</li><li>• Identify scenarios where some form of involvement with crypto may be present and how to make relevant inquiries</li><li>• Understand blockchain technology fundamentals and the various ways to derive income from it</li><li>• Understand how to identify addresses, seed phrases, and hardware</li><li>• Understand smart contract mechanisms and decentralized protocols</li></ul>
<b>Fraud analyst</b>	<ul style="list-style-type: none"><li>• Understand the characteristics of blockchain technology and how it can be utilized for secure and transparent transactions</li><li>• Develop a compliance strategy for addressing the reporting of revenue and expenses occurring through the use of virtual currencies and other alternative payment methods</li><li>• Recognize patterns and anomalies in blockchain data that might indicate concealed or possibly fraudulent activities</li><li>• Be aware of and identify common crypto-related fraud schemes and techniques</li><li>• Effectively analyze blockchain data to identify unusual transactions or behavior</li></ul>
<b>Investigator</b>	<ul style="list-style-type: none"><li>• Understand how to trace transactions on both UTXO and account-based blockchains, as well as through cross-chain swaps</li><li>• Utilize on-chain fingerprinting to identify tax evasion and money laundering patterns</li><li>• Understand how to leverage IP addresses in investigations</li></ul>

Role within tax agency	Crypto asset learning objectives
<b>Investigator</b>	<ul style="list-style-type: none"> <li>• Understand how to trace transactions on both UTXO and account-based blockchains, as well as through cross-chain swaps</li> <li>• Utilize on-chain fingerprinting to identify tax evasion and money laundering patterns</li> <li>• Understand how to leverage IP addresses in investigations</li> </ul>
<b>Data scientist / engineer</b>	<ul style="list-style-type: none"> <li>• Have a comprehensive understanding of blockchain technology, its data structures, and common fields</li> <li>• Be proficient in blockchain analytics tools and programming languages used to extract insights from blockchain data</li> <li>• Know how to efficiently and effectively process and analyze large volumes of blockchain data to derive meaningful insights</li> </ul>
<b>Policy analyst</b>	<ul style="list-style-type: none"> <li>• Understand the use cases of blockchain technology and its financial applications</li> <li>• Recognize the implications of crypto adoption on taxation, inclusion, and economic policy</li> </ul>
<b>Customer service</b>	<ul style="list-style-type: none"> <li>• Be familiar with common customer questions and concerns related to crypto transactions</li> <li>• Provide accurate information on reporting requirements and potential</li> </ul>

The **customer service** aspect of a tax authority's mandate, in particular, is critical – but can sometimes be overlooked. Serving taxpayers with the right level of expertise and responsiveness with respect to an emerging asset and technology increased cross-functional competency and increases tax agency effectiveness in two ways:

- I. It serves taxpayers by boosting voluntary compliance
- II. It creates opportunities to achieve robust enforcement through models designed to identify tax noncompliance actors, triage taxpayer filings, and investigate the most complicated tax issues

## Establish a center of excellence to share expertise internally

In addition to workforce training, tax authorities should consider **establishing an internal center of excellence** ("CoE"), made up of specialists within their organization to serve as a crypto knowledge hub. These internal organizations can be effective for developing and sharing expertise within the tax authority, as well with other external teams – particularly as the ecosystem and assets continue to evolve and training runs the risk of becoming stale. CoEs enhance best practices, knowledge, and information sharing, and help foster agency-wide consistency and standardization on complicated topics where examiners might otherwise pursue differing approaches (e.g. analyzing indirect exposure on-chain or calculating asset prices for activities stemming from smart contract activity).

For instance, as was outlined in a recent US Treasury [report on virtual currency tax compliance enforcement](#), in 2022, "the IRS recognized that a Service-wide approach was needed to address digital assets and created the Digital Asset Advisory Committee" to serve as a centralized group to collaborate, plan, and share information across the agency. The IRS further developed a Digital Asset Initiative to set priorities and objectives in order to increase voluntary compliance and educate its taxpayers.

As tax agencies strive to meet the challenges of crypto tax compliance, both **TRM Labs** and **TaxBit** provide valuable resources to help build the requisite crypto competency.

[TRM Academy](#) offers training programs, certifications in crypto fundamentals and investigations, and targeted modules to equip agencies with essential skills for navigating the complexities of the digital asset landscape and identifying noncompliance. Additionally, TaxBit's thought leadership provides critical insights and industry-leading perspectives on tax compliance in the crypto sphere, including recent insights on [cost-basis accounting strategies](#) and in-depth [analyses of digital asset regulations](#).

*This article is the first in a series of seven that will cover the essential pillars needed to bolster tax agency efforts in addressing crypto tax compliance.*