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INSIGHT: Crypto and a Song for the Saints

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Tesla's CEO Elon Musk admitted in a recent interview that Bitcoin's structure is ''quite brilliant'' and it is ''a far better way to transfer value than pieces of paper'' pointing to the way of the future of money. Being the CEO of an electric car, solar panel, and clean energy storage company, Mr. Musk cautioned that nevertheless ''one of the downsides of Bitcoin mining is that computationally it is quite energy intensive'' as it metabolizes electricity into money.

When the electricity used for mining cryptocurrencies is produced from coal or other fossil fuels that cause the most CO2 and other greenhouse gas pollution, the toll cryptocurrency takes on the environment—with destruction manifesting in various parts of the world—is immeasurable.

A stark example of this environmental cost in the context of Bitcoin occurred on Sept. 4, 2017—only five months after 195 countries signed on to the United Nations Framework Convention on Climate Change (UNFCCC), Paris Agreement—and involved events in two completely different parts of the world. These events—China's ''Bitcoin'' ban and the Caribbean's hurricane Irma or ''Irmageddon''—were the two most researched terms on Google during 2017, with an invisible thread connecting them to one another.

China's Bitcoin Ban

On Sept. 4, 2017, China's central bank announced that it would ban initial coin offerings (ICOs) and shut down all domestic Bitcoin/cryptocurrency exchanges by month-end, delivering a blow to a once-thriving industry of commercial trading and mining of cryptocurrencies, which began taking off four years earlier. At the time, China accounted for as much as 90 percent of all of world's cryptocurrency trading volume of more than 335,000 daily transactions and 70 percent of all cryptocurrency mining as well as manufacturing of cryptocurrency mining machines.

Whereas on March 14, 2017, Chinese President Xi Jinping announced that he was going to establish the ''digital silk road of the 21st century'' and revolutionize a blockchain based mobile cross-border payment system, leading a global force in several areas of the blockchain based digital economy. Encouraged by this news, investors from all over the world flocked to buy Bitcoin—which ranked as the world's best performing currency six out of the last eight years since its debut in 2009—to capture once-in-a-lifetime gains. Rumors of Bitcoin Mania, possibly surpassing the Tulip Mania, spread across the World Wide Web with a mixture of fear and excitement.

Around-the-clock cryptocurrency trading and wider adoption kept pushing up Bitcoin's price, which rose twentyfold from $1,000 at the beginning of the year to $20,000 by the third week of December. This created an exponential demand for cheap coal-fueled electricity for cryptocurrency mining, which required nearly 100,000 times more computing power than the world's 500 fastest super computers, which in turn caused more CO2 and other greenhouse gas pollution. Chinese CO2 and greenhouse emissions reached a new high during 2017 making China the world's largest greenhouse gas emitter, a title the country continued to hold on to during 2018.

On June 1, 2017, when President Donald Trump announced that the U.S. was pulling out of the UNFCCC Paris Agreement, which lacks an enforcement mechanism, China—both the largest consumer of coal and the largest solar technology manufacturer—clenched the mantle of world leadership on climate change.

A new paper suggests that the UNFCCC Paris Agreement's aim of limiting average global temperature increases to 1.5 degrees Celsius is likely to miss the mark since it requires substantial changes to individual countries' plans to accomplish these measures. Such measures are still vague and hard to implement within the required deadlines. Accordingly, China's choice between coal and solar energy is likely to have an impactful and lasting effect on global warming.

''Coal pollution has real consequences for our environment and public health. While the White House props up the coal industry, we've been working w/ partners like @SierraClub to retire plants & lead the transition to clean energy,'' explained Michael R. Bloomberg, in a tweet. Bloomberg serves as the U.N.'s Special Envoy for Climate Action. Bloomberg has given away $6.4 billion of his own money to shutter coal-fired power plants and worked across sectors and with a variety of partners globally to actuate change in existing energy systems, forcing dirty fuels out of the energy mix and lowering the policy and market barriers to renewables, efficiency, and other clean, low-carbon, solar energy solutions.

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'Irmageddon' Slams the Saints

Amid levels of heat-trapping greenhouse gases in the atmosphere reaching a record high, sea levels rising, oceans acidifying, and 18 back-to-back named storms—from Tropical Storm Arlene to Tropical Storm Rina—became the 'new normal' in the Caribbean during 2017. Ten of these storms transformed into hurricanes, and five of those hurricanes—Harvey, Irma, Jose, Lee, and Maria—attained hyperactive and catastrophic status.

As China banned Bitcoin transactions, in the Caribbean on Sept. 4, 2017, Hurricane Irma—which formed on the heel of Hurricane Harvey—intensified to reach a category 5 storm that was roughly 400-miles in diameter. For the next eight days, spinning counterclockwise around the eye with a force of 200-mile-per-hour winds, Irmageddon began tearing through the Caribbean, downing the operational and largely fossil fuel-powered electric grids along the way, leaving in its wake a trail of calamitous damage of $202 billion with up to 60 percent of homes and 400 boats destroyed and at least 134 dead.

Irma was the strongest annular hurricane observed in the Caribbean on record and the second most intense tropical cyclone worldwide during 2017. Irmageddon hit particularly hard in the northeastern Caribbean, the Florida Keys, Antigua and Barbuda, Anguilla, the British Virgin Islands, St. Barthélemy, St. Martin, the U.S. Virgin Islands, Puerto Rico, Dominican Republic, Haiti, Cuba, the Bahamas, Turks and Caicos, and other islands in the Caribbean Sea—''*these islands from the ocean which stood strong for centuries*,'' as country music artist Kenny Chesney described the region in a song.

Survivors on St. John, the smallest of three main U.S. Virgin Islands, tackled the rebuilding efforts resiliently and creatively. After being cut off from power for six weeks, a survivor used debris from a nearby home to spell out ''Send Tesla'' on the ground to attract solar power installations to the island to replace fossil fuel electric grids. Chesney, who solemnly stumbled upon the wreckage of what once was his home and served as ''a huge part of my music, my creative spirit and my soul,'' composed the *Song for the Saints* album. The proceeds from this album and tour are funding Chesney's Love for Love City Foundation to finance post-Irmageddon rescue and rebuilding projects in the U.S. Virgin Islands that include solar power projects. ''Join the *sinner's choir singing' a song for the saints* by donating your cryptocurrencies'' urged Kim Ledger, the foundation administrator.

U.S. Tax Treatment of Cryptocurrency Donations

Before selling your cryptocurrency and donating the after-tax proceeds to your tax code Section 501(c)(3) tax exempt charity of choice, consider donating your cryptocurrency directly to give the charity a larger gift and avoid paying a:

- capital gains tax on the cryptocurrency that may apply to a U.S. donor;
- 3.8 percent Medicare surcharge on investment income that may apply to a U.S. donor;
- ordinary income tax that may apply to U.S. donor; or
- cross-border U.S. withholding tax of 30 percent on 50 percent of U.S.-source cryptocurrency capital gains, which may be lowered or eliminated under a tax treaty that may apply to a foreign donor.

Since a cryptocurrency is considered property for U.S. tax purposes, it will be valued at the time of donation at its fair market value. Donors of cryptocurrencies of over $500—which are noncash donations—will be required to comply with Internal Revenue Service appraisal requirements by filing Form 8283. The donation will be tax deductible to the U.S. individual donor as follows:

- If the donor held the cryptocurrency as a capital asset for more than a year, the donor will be able to deduct the fair market value of the gift up to 30 percent of their adjusted gross income.
- If the donor held the cryptocurrency as a capital asset for a short term (i.e., less than one year) or as ordinary income property, the donor will be able to deduct the lesser of cost basis or fair market value up to 50 percent of their adjusted gross income.
- If the donor received the cryptocurrency as payment for services rendered, the donor may claim a deduction of the fair market value on the date of receipt.

Charitable contributions that are not deductible in the current year, because they exceed the taxpayer's AGI limitation, can be carried forward for five years.

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