



BLOCKLEGAL

Attorneys and Counselors at Law

Policy Brief

Why Forked Crypto Shouldn't Be Taxed as Ordinary Income: A perspective on IRS Revenue Ruling 2019-24

The IRS currently treats coins received in a blockchain hard fork as ordinary income upon receipt. This stance, outlined in Revenue Ruling 2019-24, overlooks the reality of how blockchain forks function. Most forks do not result in a guaranteed economic benefit for coin holders, nor are the new coins always accessed or usable. Treating them as immediate income distorts the nature of the event and may overstate taxable gains.

Puerto Rico's unique tax status under IRC §933 exempts bona fide residents from U.S. federal tax on Puerto Rico-source income. However, if the IRS classifies forked coins as ordinary income at receipt, complex questions arise about source, timing, and reporting—especially for Act 60 grantees and investors who may receive forked coins but not sell or use them for years.

Drawing from property law principles, this brief argues forked cryptocurrencies should be treated as capital assets, with taxation deferred until the asset is sold. The article analogizes forks to attached rights (like water rights) that should not trigger tax at the time of emergence alone.

Recommendation: Revise the IRS position to treat forks as capital assets, not income. Puerto Rico's Hacienda should also issue local guidance.

Full paper [here](#).