

TAXTOKEN

WHITEPAPER 2.0



"We believe that the economy works best when it works for everyone, and this new platform is an engine of inclusion."

-Don Tapscott & Alex Tapscott

"The first generation of the digital revolution brought us the Internet of information. The second generation — powered by blockchain technology — is bringing us the Internet of value: a new platform to reshape the world of business and transform the old order of human affairs for the better."

-Don Tapscott



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WHAT IS TAXTOKEN?

TaxToken is the first company to leverage blockchain technology with artificial intelligence to modernize personal accounting. The TaxToken team noticed serious problems with tax filing methods. The current way of doing taxes is time consuming, costly, and outdated. As a result, taxpayers often default to the standard deduction, which means they may not be taking full advantage of the tax code to maximize their refund.

At TaxToken, we believe taxpayers have the right to pay only their legal due of taxes. Taxpayers shouldn't have to keep a meticulous record of receipts or hire expensive accountants to pay only the share of taxes they owe, nor should they be left with overestimating their tax burden through the simple, standard deduction. TaxToken offers taxpayers the automated, intuitive solution to pay just the amount of taxes they owe and maximize the earnings they deserve.

The TaxToken suite, using our patent-pending processes, will provide users with the essential tools they need to save both time and money. Through integration with smart cards, mobile phones, wallets, and exchanges, TaxToken will autofill users' tax forms.

We realize that for many people taxes can be frustrating and complicated. Advances in blockchain technology eliminate these frustrations. Triple entry bookkeeping and the decentralized, distributed ledgers intrinsic to the blockchain will re-define personal accounting and tax filing methods.

Our vision is a secure, precise, and automated tax preparation process. From daily transactions--like capital gains/losses and itemizing deductions--to more unique financial events--like selling your house or paying for college--we can help.





THE PROBLEM

"Over 2 million taxpayers could have saved nearly 1 billion dollars by itemizing their deductions."

Every year, millions of Americans lose potential tax savings by incorrectly choosing the standard deduction rather than itemizing their deductions. To itemize deductions properly, taxpayers would need to maintain precise records of personal spending throughout the year. According to TurboTax, keeping receipts is the best way to track annual spending. However, holding on to every receipt throughout the year is simply not feasible for the majority of Americans. In reality, many receipts are lost and deductible expenses go un-itemized. Acquiring proof of donation for lost or unrecorded receipts is costlier than the deduction.

The roughly 30% of households who *do* itemize deductions often overpay tax professionals to sift through unorganized financial records and receipts. Often, this use of a tax professional negated or even outweighed the resulting tax savings.

One commonly overlooked itemization includes charitable donations. In fact, charitable contributions make up a significant portion of the \$1 billion in un-itemized deductions. However, Americans are also faced with problematic methods of donating to charities and ensuring that their donations are being maximized for actual charitable use. A lack of transparency in some charities has hurt the public perception of charitable organizations as a whole, compromising trust and future contributions. In addition, much of the \$390 billion donated to charities in 2016 was subject to high transaction fees.

As an unfortunate result, many individuals are less inclined to donate to charity because they correctly suspect charities are either not receiving their full contribution or not using it as intended. Genuine charities thus suffer from poor public trust in charitable organizations and lose out on many potential contributions. Meanwhile, taxpayers are deprived of the opportunity to give back to their communities through charitable donations and subsequently lower their tax burden by itemizing such donations.

Another emerging issue in the realm of personal accounting is the taxation of virtual currency. Buying goods and services with virtual currency, selling on an exchange, or selling to another person could be subject to tax. The IRS has shown great interest in a rapidly growing cryptocurrency market. Less than .015% of Coinbase wallets were included in tax filings in 2015. A federal lawsuit against Coinbase has been filed in an attempt to gather information on more than 14,000 taxpayers.





THE SOLUTION

TaxToken wants to simplify and automate all aspects of a painstaking taxation process. Emerging blockchain technology is the empowering tool taxpayers need to maximize their savings. In addition, the intrinsic security of the blockchain allows for instantaneous and transparent charitable donations. Our team envisions a future where all taxable transactions occur on an internet of things. In this reality, TaxToken's software automatically files your taxes for you. TaxToken intends on eliminating the need for manual record keeping and expensive tax professionals. The following is how we plan on making our vision a reality.

Wallet and Smart Card Integration

68.5% of Americans choose the standard deduction. Millions of Americans do not claim their eligible tax deductions, while millions more overpay tax professionals. Continuous innovation in mobile and smart payments has opened up exciting new solutions. TaxToken plans to integrate our client with both wallets and smart cards.

Every transaction completed on a smart card is stored on the blockchain. Our software locates the wallet ID paired with the corresponding smart card and scans the wallet's blockchain transactions. TaxToken's algorithm then sorts, files, and itemizes the transaction. Smart cards utilizing our tax solution system will automate manual record keeping.

Wallet integration works similarly. A wallet has an aggregated list of all of your blockchain transactions. Users would simply allow us access to their wallet, answer a few questions, and our software will do the rest by sorting, filing, and itemizing transactions.

TaxToken's smart analysis streamlines a previously inefficient itemization process, recommending the best ways to save the most money, without the worry of ever holding on to a single receipt. Our AI will scan your secure, cryptographically-sealed transaction history and make recommendations based on your previous spending habits and tax aggression strategy.

Scanning the blockchain and automating the deduction process is a huge technological leap forward. For the first time ever, TaxToken participants will not be bothered holding on to or organizing their receipts. By removing one of the largest obstacles to maximizing tax savings, we help clients save both time and money. Should our users still choose to hire a tax professional, our process is nevertheless invaluable. It is far more cost and time efficient for a tax professional to audit an organized list of blockchain-verified deductions than sift through countless unorganized paper documents.



TAXTOKEN

THE SOLUTION

Patent-Pending Capital Gains and Losses Tracker

The digital currency industry has grown exponentially over the past few years drawing the attention of the Internal Revenue Service (IRS). Currently, the largest digital currency exchange firm in the United States, Coinbase Inc., is undergoing a dispute with the IRS regarding potentially unreported taxable gains as well as customer data privacy concerns. The John Doe summons seeks more than 8.9 million transaction records and information pertaining to more than 14,000 taxpayers. Coinbase refused to comply, and as a result, the IRS filed a federal lawsuit to enforce the summons. The accompanying affidavit revealed that the IRS searched the The Modernized Tax Return Database (MTRDB) for data regarding bitcoin transactions.

With the rapid advancement of blockchain technology, the IRS has left many doubts regarding future reporting of assets. The IRS has left no doubt, however, about its growing interest in a \$175 billion market. At TaxToken, we believe your financial well being is paramount and that there has never been a greater need for an simple, efficient capital gains and losses calculator. Our system will work intuitively with your phones, computers, wallets, and smart cards to track and categorize your capital gains, capital losses, and all IRS rulings and exemptions surrounding the categorization of [U.S. Code § 1221 - Capital Asset Defined]. We recognize the importance of staying up to date with regulatory requirements in such a dynamic environment. Appropriate updates will be streamlined through our software and mobile app to ensure compliance with the latest laws and IRS regulations. TaxToken's AI combined with our professional expertise aims to deliver an adaptable, reliable, and IRS-friendly solution.





THE SOLUTION

For those interested, the following two paragraphs give a brief overview of the current regulatory environment in the United States.

Blockchain technology has quickly outpaced the law, and investors are practically screaming for clarity from lawmakers and the IRS. In 2014, the IRS announced in Notice 2014-21 that virtual currency is to be treated as “property” and not “currency” for US federal tax purposes. This ruling relied on the fact that, at the time, virtual currency did not have legal tender status in any jurisdiction. However, virtual currency has since gained some legal tender status with Japan’s declaration of bitcoin as a legal tender or payment method. To further complicate matters, and in complete divergence from IRS rulings, some US courts have held that bitcoin is “money” for regulatory purposes. See [U.S. v. Faiella](#) (2014) and [U.S. v Murgio et al.](#) (2016). Finally, as recently as July 25, 2017, the SEC ruled DAO tokens “were securities and therefore subject to the federal securities law.” While it appears that ICOs will be evaluated on an individual basis for now, conflicting SEC, IRS, and US court rulings emphasize a need for future clarity and direction.

With cryptocurrencies year-over-year taking a larger percentage of investment market share, attention from the SEC and IRS was inevitable. On July 25, 2017, SEC Chairman Jay Clayton issued an official statement reading: “We seek to foster innovative and beneficial ways to raise capital, while ensuring – first and foremost – that investors and our markets are protected.” While Mr. Clayton’s words are promising, the SEC’s retroactive approach coupled with unclear IRS policy has both the crypto-community and US government agencies seeking direction. The IRS has been heavily criticized for inaction. The Treasury Inspector General for Tax Administration (TIGTA) released a scathing report recommending the IRS to “Revise third-party information reporting documents to identify the amounts of virtual currencies used in taxable transactions.”





TAXTOKEN

THE SOLUTION

Patent-Pending Text-To-Block Technology for Charitable Contributions

Mobile charitable donations are subject to high transaction fees, are often un-itemized, and can take up to 120 days to reach their recipient. These problems are not unique to just mobile donations; many ways of giving share these problems. Our text-to-block technology is TaxToken's patent-pending solution. Virtual wallets, paired with both cryptocurrencies and fiat money, can be utilized by charitable organizations with a registered wallet on the blockchain. Simply text a number affiliated with the charity's wallet, enter the donation amount, and the process is complete. Your contribution will occur on the blockchain in real time, managing multiple currencies and exchanges rates, with negligible fees. TaxToken's AI interface will locate the user's virtual wallet, validate the proof of donation, and calculate the contribution in to future tax savings. The donation has been organized and itemized, automating the process while complying with IRS requirements.

It is a commonly accepted fact that in order for blockchain technology to reach full potential, it needs to become widely adopted. We believe text-to-block technology provides tangible, real world value. The blockchain's immutable, distributed ledger provides complete transparency. Many individuals are hesitant about giving funds to charities, because they are unsure about the use and effectiveness of their donation. Text-to-block technology will restore confidence in donors that their contributions are being used as intended. With this added transparency, we hope to promote current and future generosity. TaxToken is thrilled and humbled for the opportunity to enhance this incredible space with real world application.





THE TAXTOKEN INTERFACE

Simply log onto our computer client or Tax Token App. Answer a few easy questions about your current filing status and spending habits. Next, allow the client access to your smart card, exchange, wallet, or mobile payment system. Our AI software will take care of the rest. With the information given through smart contracts and our quick-sort technology, we can immediately categorize each transaction and upload it to your personalized ledger. TaxToken will then explain each transaction to the end-user and recommend if it should be used in itemizing your deductions.



Simply log onto our computer client or TaxToken app.

Answer a few easy anonymous questions about your current filing status and spending habits.

Don't worry--we don't store your information!

Next, allow the client access to your smart card or mobile payment you would like us to filter through.





HOW DATA IS HANDLED

Recent events have shown to the public the potential risk of letting large organizations store their data. Data storage and security is at the forefront of public concern after the disastrous Equifax hack. At TaxToken, protecting customers' privacy is of the upmost importance, which is why a large, centralized database is a risk we are unwilling to take. Our product uses a combination of decentralization and private keys to mitigate risk and ensure the protection of sensitive consumer data.

BLOCKCHAIN AND INTEGRITY

Transactions are unalterably recorded into the blockchain. Since all transactions are distributed and cryptographically-sealed, falsifying or destroying them to conceal activity is essentially impossible. The process is similar to a transaction being verified by a notary – only in an instantaneous, electronic manner. The inherent immutability of the blockchain makes proving the integrity of electronic files easy. One approach is to generate a hash string of the file. The hash string represents the digital fingerprint of that file. That fingerprint is unchangeably timestamped by writing it into the blockchain via a transaction. At any subsequent point in time, the integrity of that file can be proven by again generating the fingerprint and then comparing it with the original fingerprint stored in the blockchain. If the fingerprints prove identical, then that document has remained unaltered since first writing the hash to the blockchain.





COMPETITIVE ADVANTAGE

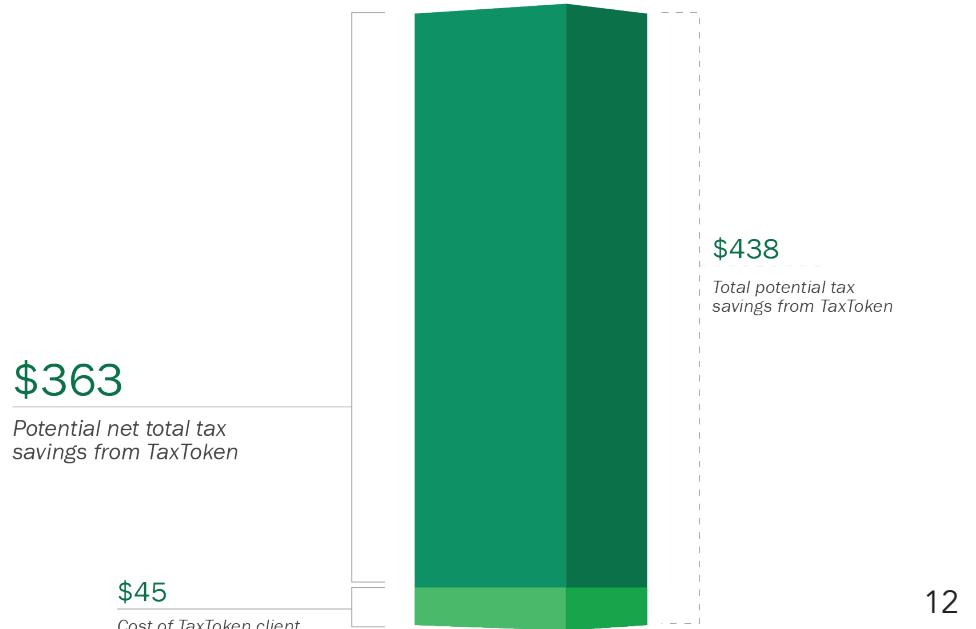
TaxToken is the first company to apply advances in blockchain technology to personal accounting. Pairing with wallets, smart cards, and exchanges places TaxToken at the forefront of a rapidly evolving technology. TaxToken's forward innovation positions us to become the premiere blockchain tax solution. Our exclusive software provides a competitive edge in a multi-billion dollar market. See the proceeding page for a comparison of the TaxToken product against the two leading competitors for filing personal tax returns.

FINANCES / MARKET OPPORTUNITY

Our team understands TaxToken is entering a massive, established market. Last year, 86% of nearly 132 million tax returns were filed through tax software or online tax products. Currently, we have two main competitors for filing personal tax returns. Intuit, the creators of TurboTax, and H&R Block. These corporations combine for a market cap of more than \$42.5 billion.

In 2016, the IRS issued more than 102 million tax refunds (out of 140 million individual returns), with the average refund totaling greater than \$2,700. Sadly, most Americans do not realize that a large refund from the IRS is a mismanagement of their cash flow. The government holds on to taxpayers' hard earned dollars until their end-of-the year federal tax refund. Essentially, this gives the IRS an interest-free loan. Over 70% of all Americans could be incorrectly filing their taxes. Furthermore, 78% of Americans are living paycheck-to-paycheck, which complicated tax laws do nothing to help. Clearly, there is room for improvement in the personal accounting and tax preparation industries. At TaxToken, we aim to keep your hard earned money in your own hands.

POTENTIAL TAXTOKEN SAVINGS





TAXTOKEN

Comparison of Top Tax Filing Products with TaxToken

Feature	TaxToken	Turbo Tax	H&R Block
Price	<ul style="list-style-type: none"> Free for federal standard deduction forms \$45 for full product capabilities, including fully itemized deductions and filing recommendations (no restrictions) *Free for individuals with an income of \$13,000 or less *Free for families with a total income of \$25,000 or less 	<ul style="list-style-type: none"> Free for federal standard deduction forms \$29.99 per each state standard deduction form \$54.99-149.99 for itemized deductions and other tax form options 	<ul style="list-style-type: none"> Free for federal standard deduction forms \$29.99 per each state standard deduction forms \$54.99-89.99 for itemized deductions and other tax form options Varying hourly costs and flat fees for in-person tax professional services
Time Required on Tax Preparation	<ul style="list-style-type: none"> Instantaneous record generation and form population <p>**The IRS estimates taxpayers spent on average between 5-15 hours preparing and submitting taxes in 2016.</p>	<ul style="list-style-type: none"> Varying hours record keeping; 2-4 hours on average for form completion and submission 	<ul style="list-style-type: none"> Varying hours record keeping; 2-4 hours on average for form completion and submission; Varying hours for in-person consultations
Smart Card Integration	✓	X	X
100% Verifiable, Automatic Financial Record Keeping	<ul style="list-style-type: none"> ✓ via unalterable blockchain technology and smart card integration 	X	X
Automatic, Personalized Itemizations & Deductions	<ul style="list-style-type: none"> ✓ via AI technology and smart card integration 	X	X
Automatic, On-Demand Generation of Receipts	✓	X	X
Automatic Charitable Donation Tracking with Onboarded Charities	✓	<ul style="list-style-type: none"> X charitable contributions require individual tracking and manual entries 	<ul style="list-style-type: none"> X charitable contributions require individual tracking and manual entries
Text to Donate Feature for Charitable Contributions ***Patent pending	✓	X	X
Currencies	<ul style="list-style-type: none"> ✓ Fiat currencies ✓ Cryptocurrencies 	<ul style="list-style-type: none"> ✓ Fiat currencies X Cryptocurrencies 	<ul style="list-style-type: none"> ✓ Fiat currencies X Cryptocurrencies
Automatic Itemization of Coinbase Wallets	✓	X	X



TOKEN DEPLOYMENT & PLAN

Pre-ICO Soft Cap = 4 Million TAX

Pre-ICO Hard Cap = 7 Million TAX

ICO Soft Cap = 20 Million TAX

ICO Hard Cap = 35 Million TAX

The Pre-launch

On November 11, starting at 8PM EST, we will offer 51% of all TAX tokens for purchase by the public in the TaxToken Initial Token Sale under the ticker symbol TAX. Additionally, 29% of all TAX tokens to be created will be retained by TaxToken for distribution.

The remaining 20% of TAX tokens to be created will be distributed amongst TaxToken's founders, employees, and early investors as an incentive that TaxToken's interest and commitments continue to align themselves with that of our token holders. Further details of the distribution of tokens are set out below:

Each TAX token will be sold for 1/350 ETH, meaning 1 ETH will give you 350 TAX tokens.

Other accepted cryptocurrencies will be converted live in ETH.

There is a minimum purchase amount of 10 TAX tokens per purchase.

The pre-launch contribution timeline (November 11, 2017) begins 21 days before the launch (December 1, 2017).

Within the first 24 hours, early participants will receive a 25% bonus with their contribution. The following 2 days, participants will receive a 20% bonus with their contribution. The next 4 days, participants will receive a 15% bonus with their contribution. The next 7 days, participants will receive a 10% bonus with their contribution. In the remaining 7 days, participants will receive a 7.5% bonus with their contribution. These pre-launch contribution bonuses are summarized below:

- +25% - first 24 hours
- +20% - day 2 and day 3
- +15% - day 4 to day 7
- +10% - day 8 to day 14
- + 7.5% - day 14 to day 21



TOKEN DEPLOYMENT & PLAN

The Launch

The Token Crowdsale launch begins December 1. The initial conversion price will be 1 ETH = 350 tokens. During the first day of the token crowdsale, we will offer an early bird 5% increase, in which 1 ETH = 367.5 TAX. Following that, the price will remain at 1 ETH = 350 TAX for the first 24 hours. The price will then increase 5% each 24 hours for 30 days or until all tokens are sold. For example, the day after 1 ETH = 350 TAX, 1 ETH = 332.5 TAX.

Token Breakdown

51% - You the people. TaxToken knows it is imperative to develop a thriving community while we operate in an open, transparent manner. TaxToken intends on working together with our community to achieve a mutually beneficial goal. That is why it is important to us for the community to own more than half of the tokens from the very beginning.

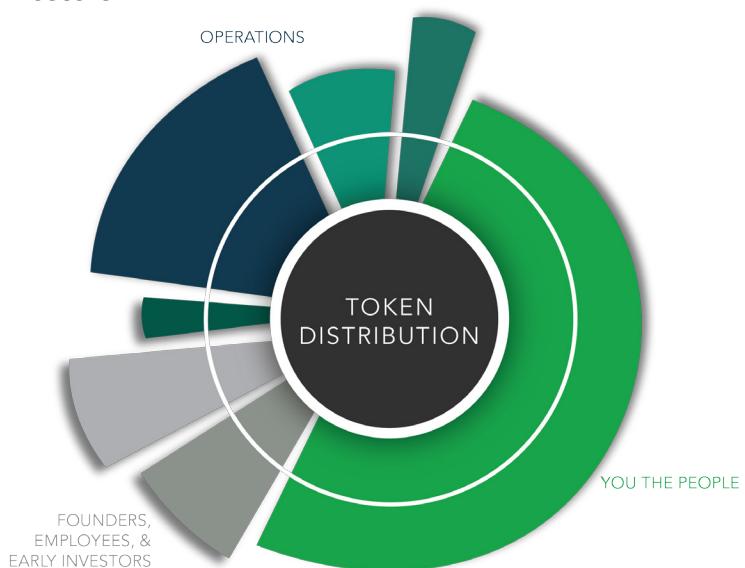
29% - Operations:

- 3% - Research and development
- 1% - Auditing procedures and Substantive Analytics
- 20% - Business Development
- 5% - Product Analysis and Value Chain Development

20% - Founders, Employees, and Early Investors:

10% will be reserved as an asset with a vesting period distributed evenly over 12 months to bring value to early investors.

10% will be used by TaxToken to incentivize founders, employees, and the development team. Each TaxToken founder and employee will receive part of their compensation package in TAX tokens, which will vest over 4 years.





MOVING FORWARD

Rather unique to the ICO process, TaxToken already has two beta products, 1) a capital gains and losses tracker and 2) text-to-block technology. However, actualizing our vision of a completely automated taxation process will take a significant amount of time and resources. To bridge the interim period of beta and full functioning products, we will look to professional accounting software such as Prosystemtax. Cross-validating our auditable data trails in this manner maximizes efficiency and productivity, while providing users with the highest level of assurance and compliance with IRS regulations.





THE TAXTOKEN PROMISE

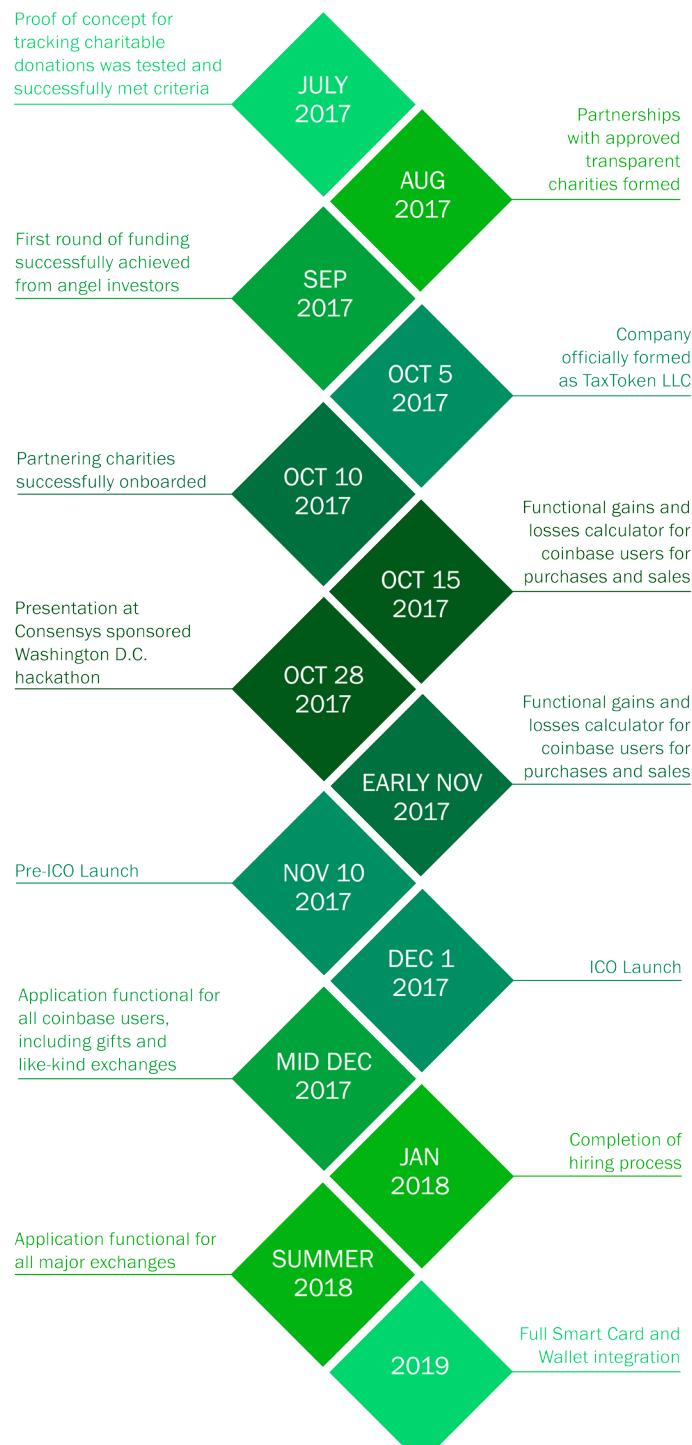
It is TaxToken's belief that the inherent integrity of the blockchain will help transform how business is done. Blockchain technology has ushered in a new demand for increased transparency and honesty. As these new standards become the norm, TaxToken hopes for a shift in corporate responsibility and ethical business practices. We want to do our part too.

At TaxToken, we believe in corporate responsibility, blockchain technology, and giving back. The TaxToken promise is to donate 5% of all ICO revenue to outstanding non-profits. Furthermore, the TaxToken team has seen firsthand how access to better accounting methods has positively changed and impacted lives. TaxToken will have a dedicated team committed to public outreach and helping the disadvantaged.





ROADMAP





THE TAXTOKEN TEAM

FOUNDERS



NATHAN NICHOLS
Co-Founder & CEO



MICHAEL FOLAND
Co-Founder & CCO



GAURAV KALE
Co-Founder & CTO

ADVISORY BOARD

Patrick Taylor McQuown
Founder/CEO of two Mobile companies with successful exits - raised \$50 million, former Ivy League professor

Earl Evens
Previous Director, Manager, and Program Manager at Cisco Systems, Seagate Technology, Hewlett-Packard Co., and Xerox Corp.

Irana Scott
CPA, PhD in Accounting, CEO/Owner of individual tax practice for over 20 years

Dan Alvarez
Head of Market Research, VISA