

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 The current way of doing taxes is time consuming, costly, and outdated.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 their fair share of taxes, nor should they be left with overestimating their tax burden through the simple, standard deduction. TaxToken offers taxpayers an 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. The emergence of 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. In the case of charitable contributions, 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, the 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. This is partly due to stringent requirements of the IRS for itemizing charitable donations. For cash donations under \$250, the IRS requires a bank record or a written communication containing the name of the organization, the amount, and the date of the contribution. Tough itemization standards are partially responsible for a decline in donations by low and middle-income households. Also to blame is a general lack of transparency in donation processes, high transaction fees when donating, and the misappropriation of funds.





THE PROBLEM

As an unfortunate result, many individuals are less inclined to donate to charity. Genuine charities thus suffer from poor public trust in charitable organizations and lose 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.

Finally, there is a problem regarding the taxation of virtual currency in the US and the reporting of crypto capital gains and losses. Incredibly, only 802 people reported a crypto capital gain or loss in 2015. This statistic is very concerning to the IRS, as buying goods and services with virtual currency, selling on an exchange, or selling to another person are all taxable events.

Coinbase, the largest US exchange with roughly 11.5 million users, felt the brunt of this concern. The IRS issued a John Doe summons to Coinbase, attempting to gather information on millions of taxpayers. When Coinbase refused to comply with the summons, the IRS filed a federal lawsuit. Although the scope of the summons has recently been narrowed, many taxpayers are still left worried about the future.

TaxToken believes this underreporting results from confusion over the regulatory environment and the high level of expertise required to track crypto capital gains and losses. The infrastructure for easily reporting crypto capital gains and losses has not yet been developed.





THE SOLUTION

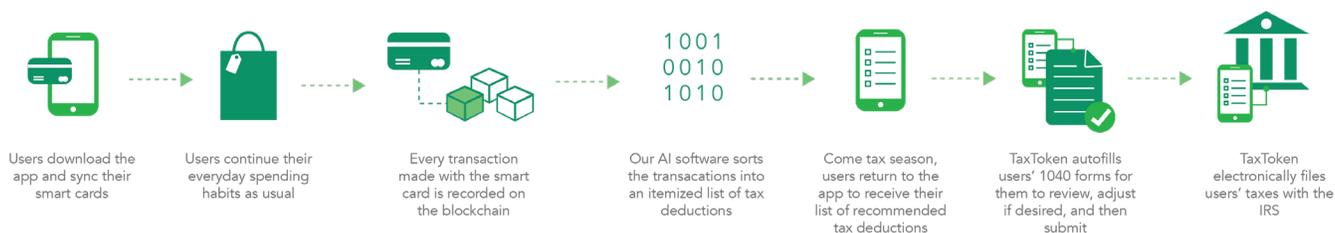
TaxToken wants to simplify and automate all aspects of a painstaking taxation process. Our team envisions a not so distant future where all taxable transactions occur on the blockchain. In this reality, TaxToken's software will automatically file your taxes for you, eliminating the need for manual record keeping and expensive tax professionals. The following is how we plan on making our vision a reality.

TaxToken Integration with Wallets and Smart Cards

68.5% of Americans choose the standard deduction. Millions of Americans do not claim their eligible tax deductions, while millions more overpay tax professionals. Fortunately, continuous innovation in mobile and smart payments has opened up exciting new solutions. Integrating our blockchain-inspired software with wallets and smart cards promises a better way for Americans to claim their tax deductions.

When individuals use smart credit cards, every transaction is stored on the blockchain. Our software will scan the blockchain and pull your entire transaction history. TaxToken's algorithm then sorts, files, and itemizes the transactions. The results are imported to the 1040 form, no manual entry required!

Wallet integration works similarly. A wallet has an aggregated list of all 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 software streamlines a previously inefficient itemization process. Our clients will itemize their deductions by simply downloading our app and swiping a smart credit card. For the first time ever, Americans can itemize deductions without the bother of holding on to a single receipt. Should clients choose to hire a tax professional, our software is still valuable. It is far less costly and more efficient for a tax professional to audit an organized list of blockchain-verified deductions provided by TaxToken than to sift through countless unorganized paper documents. By removing some of the largest obstacles to maximizing tax savings-- receipts and expensive tax professionals--we help clients save both time and money.



THE SOLUTION

Patent-Pending Capital Gains and Losses Tracker

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. Confusion over how exactly cryptocurrencies are taxed, combined with no streamlined process for tracking cryptocurrency capital gains and losses, has left many taxpayers looking for answers.

To ensure our users' financial well being, we have developed an automated, easy-to-use capital gains and losses calculator. Our calculator will work seamlessly with 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. As rules and regulations change, appropriate updates will be made to ensure compliance with the latest laws and IRS regulations. TaxToken's machine learning 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.

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.”

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 legal tender status, most recently 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.”





THE SOLUTION

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

Currently, itemizing donations is time consuming and subject to strict requirements. These drawbacks combined with lack of donation transparency are to blame for the steadily declining charitable contributions of many Americans as well as one billion dollars in un-itemized deductions.

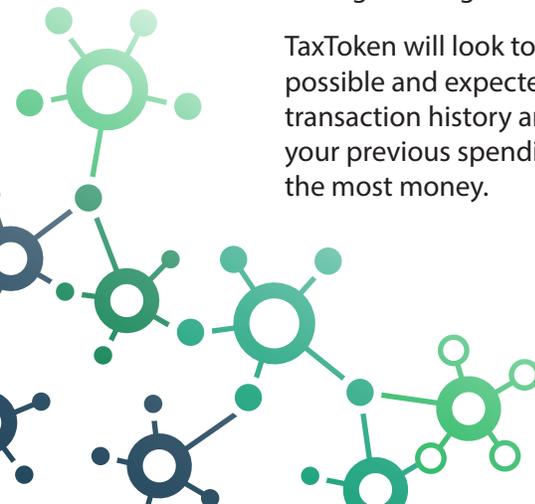
Text-to-block technology is TaxToken's total solution. Simply text a number affiliated with the charity's wallet, enter the donation amount, and the process is complete. Virtual wallets, paired with both cryptocurrencies and fiat money, can be utilized by charitable organizations with a registered wallet on the blockchain. Your contribution will occur on the blockchain in real time, managing multiple currencies and exchanges rates, with negligible fees. TaxToken's software will locate the user's virtual wallet, validate the proof of donation, and calculate the contribution in to future tax savings. The donation will have 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. Many individuals are hesitant about giving funds to charities, because they are unsure about the use and effectiveness of their donation. The blockchain's immutable, distributed ledger provides complete transparency. Text-to-block technology will restore confidence in donors that their contributions are being used as intended. Text-to-block technology is also very easy to use, more so than filling out an online form or typing in a credit card number. It is TaxToken's hope that a simple-to-use, transparent method of donating and itemizing will promote future generosity.

Applied Artificial Intelligence

Applied Artificial Intelligence is best used in systems requiring high layers of abstraction. Although not obvious, the taxation process is a fantastic candidate. The taxation process is not at all rigid and unbendable, but instead rife with estimations and strategy. To put it candidly, accountants are paid high salaries to take advantage of "wiggle room," saving clients money through strategic thinking.

TaxToken will look to artificial intelligence to continue to push the boundaries of what is possible and expected in accounting software. TaxToken intends on having our AI scan your transaction history and make recommendations to take advantage of "wiggle room." Based on your previous spending habits and tax aggression strategy, our recommendations will save you the most money.





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 and select your tax aggression level. 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.





PRIVACY AND SECURITY

Recent events have illustrated to the public the risk of letting large organizations store their information. The disastrous Equifax hack has compromised over 143 million Americans' personal data. While Equifax is certainly to blame, their actions are a symptom of a bigger problem--centralized storage of data. At TaxToken, protecting customers' privacy is of the utmost 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.

INHERENT INTEGRITY OF THE BLOCKCHAIN

Transactions are unalterably recorded on the blockchain. Since all transactions are distributed and cryptographically-sealed, falsifying or destroying them to conceal activity is essentially impossible. This inherent integrity is why blockchain transactions will count as evidence for itemizing deductions. The process is similar to a transaction being verified by a notary – only in an instantaneous, electronic manner. The intrinsic 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. Integration with this disruptive technology places TaxToken at the forefront of a blockchain revolution. 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.

Furthermore, the Coinbase and IRS debacle has also demonstrated a need for a user-friendly capital gains and losses tracker. TaxToken feels confident that many Americans will soon become interested in tracking their capital gains and losses in a "good faith effort," protecting themselves from an increasingly litigious IRS.

SAVINGS POTENTIAL WITH TAXTOKEN

\$363

Potential net savings with TaxToken

\$45

Price of TaxToken





TAXTOKEN

Comparison of the 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) <i>*Free for individuals with an income of \$13,000 or less</i> <i>*Free for families with a total income of \$25,000 or less</i> 	<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 <small>**The IRS estimates taxpayers spent on average between 5-15 hours preparing and submitting taxes in 2016.</small>	<ul style="list-style-type: none"> Instantaneous record generation and form population 	<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 <i>unalterable blockchain technology and smart card integration</i> 	X	X
Automatic, Personalized Itemizations & Deductions	<ul style="list-style-type: none"> via <i>AI technology and smart card integration</i> 	X	X
Automatic, On-Demand Generation of Receipts	✓	X	X
Automatic Charitable Donation Tracking with Onboarded Charities	✓	<ul style="list-style-type: none"> <i>charitable contributions require individual tracking and manual entries</i> 	<ul style="list-style-type: none"> <i>charitable contributions require individual tracking and manual entries</i>
Text to Donate Feature for Charitable Contributions <small>***Patent pending</small>	✓	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



THE TAXTOKEN TEAM

FOUNDERS



NATHAN NICHOLS
Co-Founder & CEO



MICHAEL FOLAND
Co-Founder & CCO



GAURAV KALE
Co-Founder & CTO

ADVISORY BOARD



Mark Gregory Nelson
Advisor to companies like Google, Sony Computer Entertainment, Clorox, Bank of America, Cisco Systems, Trincherro Family Estates, Redwood Credit Union, and others
Former President and COO of Nelson Family of Companies - grew revenue from \$56 million to \$400 million



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



David Byrd
EY's Blockchain Assurance Research Lead in the Americas



Maurice Pirió
Partner with Perkins Coie Patent Practice
Over 20 years of legal experience and 10 years of technical experience
Focus on blockchain and machine learning technologies



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

