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HOW WILL BITCOIN AND BUSINESSES WORK TOGETHER IN THE FUTURE?

Cryptocurrency and Bitcoin are the latest innovations in digital commerce that are charting a new path for the business world.

How much do you know about Bitcoin and businesses that use them? You can read further about how cryptocurrency is changing up our traditional monetary systems and whether it's right for you.



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What is Cryptocurrency and Bitcoin?

Cryptocurrency is an open-source software where a network of members buys goods or services from each other. Members of this network (called "miners") create digital monetary units and verify transactions on an encrypted general ledger called a "blockchain." The first worldwide cryptocurrency unit was Bitcoin.

No centralized authority like a bank or government system protects the money or tracks transactions. Miners exchange protected Bitcoin units anonymously with each other.

You can use Bitcoin to buy housewares, airplane tickets, and gift cards. Miners can also choose to invest in Bitcoin itself. Investors treat Bitcoin like a commodity, and buy it, hoping its value increases over time.

The only area where this new digital currency resembles the traditional financial system is in tax reporting laws. If you buy Bitcoin as an investment, you're required to pay capital gains tax on the profit you make from selling it and report it on your annual [tax return](#).

Bitcoin and Businesses: What Are the Benefits?

Businesses, both large and small, have recognized the early benefits of accepting Bitcoin in their retail and online stores. Bitcoin was produced to make online payments easier. It now allows merchants to access world markets and simplify international transactions with foreign customers.

When business owners set up online fund transfers, banks and credit card companies have applications to fill out, rules to follow, and user fees to pay to keep them going. With Bitcoin, members need only to create a free Bitcoin address to begin transactions.

Bitcoin is also cost-effective for controlling transaction fees. Small businesses usually can't get lower transaction fees with credit card companies like larger retailers can. Bitcoin payors (the party sending the funds) set their own transaction fee or can choose not to charge a fee at all.

Bitcoin can also help prevent fraud. A Bitcoin business and its customer can conduct their transaction without revealing any personal information. This fact alone helps protect any confidential information that might be appealing to a hacker's eye.

The openness of the blockchain digital ledger is also a helpful way to reduce fraud. Transactions are transparent between members on a business network. Miners can see the history and transfer of funds immediately and can see suspicious transactions right away.

Where Can You Use Bitcoin?

The number of countries where you can use Bitcoin is growing.

In the U.S., Bitcoin and other cryptocurrencies are classified as a Money Service Business (MSB). A Money Service Business is a legal term that describes all banks and other financial institutions that send money.

In Canada, Bitcoin is considered a commodity and any Bitcoin-generated income there is considered "business income." The Bitcoin is gaining acceptance in Australia, the United Kingdom, and Japan. More than [80 percent](#) of Bitcoin mining occurs in China as well.

Wrapping Up

Learn more about the world of [cryptocurrency](#) from our USA Today business blog as well.

Bitcoin and blockchain technology have their fans as well as critics on whether they will succeed as a new digital currency. Do your homework on the in's and out's of this new financial system. Only then will you know if Bitcoin and businesses have a future together.



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