

UNDERSTANDING CRYPTOCURRENCY IN MIAMI REAL ESTATE TRANSACTIONS

By Rachel Sygall

Law Clerk, MIAMI REALTORS® & University of Miami School of Law General Counsel Practicum, Fall 2025
legal@miamire.com

This article is designed to help you – real estate professionals – understand the key legal, tax, and transactional considerations, and potential risks that could impact buyers and sellers interested in using cryptocurrency to invest in real estate in Miami (and beyond).

Miami's Real Estate Market: A Global Gateway for Innovation and Investment

South Florida as a whole, but particularly Miami, has long been a hub for international investors, offering a unique blend of luxury real estate, favorable tax policies, and a strategic location that serves as a meeting point for North and South America alike. In recent years, the city has embraced technological innovation, particularly in the realm of digital finance. Cryptocurrency, once a niche asset class, is now reshaping how property transactions are conducted in Miami, creating new opportunities and challenges for foreign investors. In some instances, developers have publicly stated that they will begin accepting cryptocurrency for pre-construction condo sales, with some transactions completed directly from wallet to wallet.¹ This not only presents opportunities to modernize the purchasing process, but also provides greater flexibility for international buyers, who often face complexities when transferring funds through traditional financial systems. In turn, it lowers barriers to entry for foreign investors and helps facilitate closings in a competitive market.

Tax Compliance: What Your Customers (and You) Need to Know

Foreign investors may be subject to certain tax obligations when buying or selling U.S. real estate. One key example of regulation is the Foreign Investment in Real Property Tax Act (FIRPTA). Under FIRPTA, when a foreign person sells U.S. real estate, the buyer is generally required to withhold 15% of the sale price and remit it to the IRS.² This serves as a prepayment of the seller's potential capital gains tax.³

To comply with FIRPTA and other tax requirements, foreign investors will need a U.S. Individual Taxpayer Identification Number (ITIN).⁴ It is important that you inform your customers of the importance of consulting

¹ Kristen Altus, *Miami quietly reclaims its cryptocurrency crown as market signals point to promising comeback*, FOX BUSINESS (July 18, 2025), <https://www.foxbusiness.com/media/miami-quietly-reclaims-its-cryptocurrency-crown-market-signals-point-promising-comeback>.

² *FIRPTA Withholding*, I.R.S., <https://www.irs.gov/individuals/international-taxpayers/firpta-withholding> (last visited Nov. 3, 2025).

³ *Id.*; Congressional Research Service, *FIRPTA Tax Rules*, CONGRESS.GOV (Sept. 18, 2023), https://www.congress.gov/crs_external_products/IF/HTML/IF12498.web.html.

⁴ *Id.*

with tax and legal professionals regarding compliance with FIRPTA and other tax obligations, ensuring a smooth and successful real estate transaction.

Cryptocurrency's Expanding Role in Real Estate

Your foreign customers may already be exploring the idea of using digital assets to purchase property. REALTOR® members looking to enter into this realm must understand how cryptocurrency is being used in real estate transactions and what that means for their role in the process.

Cryptocurrency offers several potential advantages for international buyers. It allows for potentially faster transactions, reduces reliance on traditional banking systems, and could simplify cross-border payments.⁵ Buyers may use crypto to purchase property directly, convert it to U.S. dollars at closing, or even leverage it as collateral for loans.⁶

However, crypto transactions are not exempt from regulation. The IRS treats cryptocurrency as property, which means any gains or losses from its use must be reported for tax purposes.⁷ Buyers and sellers alike must be aware of the tax implications and ensure that all transactions are properly documented — again, this is why, in addition to working with a REALTOR® member, it is critical to consult with legal and tax professionals well before contemplating a transaction involving cryptocurrency to avoid complications both before and after closing.

How Crypto-Based Transactions Work

There are several potential ways to engage in real estate transactions using cryptocurrency:

- **Direct Transfer to Sellers:** Some sellers accept cryptocurrency directly as payment, which allows the buyer to transfer digital assets to the seller's crypto wallet.⁸ This method requires both parties to agree on an exchange rate and to ensure compliance with local regulations. It is strongly recommended that each side work with legal counsel and tax professionals experienced in cryptocurrency transactions if this is being contemplated.⁹

⁵ Emily Ekshian, *How Does Blockchain Make Cross-Border Payments Better?*, CRYPTO FOR INNOVATION (July 26, 2023), <https://cryptoforinnovation.org/what-are-cross-border-payments-and-how-do-they-work/>.

⁶ *Id.*; John D'Angelo, Jeffrey J. Smith, Tim Coy & Parul Bhargava, *Tokenized Real Estate*, DELOITTE (Apr. 24, 2025), <https://www.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-predictions/2025/tokenized-real-estate.html>.

⁷ Notice 2014-21: *Virtual Currency Guidance*, I.R.S., <https://www.irs.gov/pub/irs-drop/n-14-21.pdf>; Notice 2023-34, I.R.S., <https://www.irs.gov/pub/irs-drop/n-23-34.pdf>.

⁸ *Supra* note 6; Victoria Chynoweth, *Real Estate Tokenization: A Start of a New Era in Property Management*, FORBES (Mar. 20, 2024), <https://www.forbes.com/sites/digital-assets/2024/03/20/real-estate-tokenization-a-start-of-a-new-era-in-property-management>.

⁹ *Id.*

- **Conversion to Fiat Currency:** Buyers may also opt to convert cryptocurrency to U.S. dollars before closing. This approach may simplify the transaction because it aligns with more traditional forms of currency within escrow and title services. However, it may involve conversion fees and could trigger taxable events, such as capital gains, depending on how long the crypto assets were held.¹⁰
- **Crypto-Backed Loans:** Investors who wish to retain their cryptocurrency holdings can consider using them as collateral for a loan. Lending platforms allow investors to retain their digital assets while securing funds for property purchases.¹¹ This method provides financial flexibility and avoids the need to liquidate holdings.¹² It could be particularly useful for buyers who want to maintain exposure to cryptocurrency while investing in real estate.
- **Blockchain Technology and Smart Contracts:** Beyond payment methods, blockchain technology is attempting to revolutionize the real estate industry by changing the way transactions are handled. Smart contracts are self-executing agreements coded on the blockchain that would automatically carry out the terms of a contract.¹³ This is a rapidly evolving area of the law and real estate industry – it is critical that you, REALTOR® members, stay up to date with these advancements in order to provide resources to your customers who have questions about tech-enabled transactions.
- **Tokenization of Real Estate:** Tokenization converts ownership of a physical property into digital tokens recorded on a blockchain. This process allows properties to be divided into smaller, tradable shares. Investors would purchase fractional ownership of high-value properties using cryptocurrency, which could improve accessibility and liquidity.¹⁴

Advantages of Using Cryptocurrency in Real Estate

When discussing cryptocurrency with foreign customers and investors, it is important to present both the advantages and the potential risks. Cryptocurrency may offer several of the following compelling benefits:

- **Speed and Efficiency:** Traditional real estate transactions can take weeks (or more) due to paperwork and coordination among multiple parties. By contrast, crypto transactions could be settled much faster, reducing closing times and optimizing the process.¹⁵
- **Transparency and Security:** Blockchain technology provides a decentralized ledger that records every transaction.¹⁶ While the identities of the parties involved may remain anonymous, the transaction history itself is visible and verifiable, which could help reduce the risk of certain types

¹⁰ *Supra* note 7.

¹¹ *Supra* note 6.

¹² *Id.*

¹³ *Supra* note 8 (citing Chynoweth).

¹⁴ *Id.*

¹⁵ *Supra* note 6.

¹⁶ *Id.*; *Supra* note 8.

of fraud like data manipulation or unauthorized changes. Therefore, buyers and sellers can rely on a shared, auditable record that supports accountability without relying on a central authority.

- **Fractional Ownership and Inclusivity:** Tokenization allows investors to purchase shares in properties, which could make high-value assets more accessible.¹⁷ Through blockchain-based fractional ownership, investors could tap into premium real estate opportunities with greater flexibility, which supports a more dynamic and inclusive investment environment.

Challenges and Considerations

Despite its advantages, cryptocurrency in real estate is not without the following challenges:

- **Regulatory Uncertainty:** Cryptocurrency regulations vary widely across jurisdictions. In the U.S., compliance with anti-money laundering (AML) and know-your-customer (KYC) regulations is essential.¹⁸ Investors must stay informed about and comply with evolving legal frameworks to avoid serious civil and criminal consequences. One such regulation that you need to keep on your radar is the U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN) Anti-Money Laundering Regulations for Residential Real Estate Transfers Rule (RRE Rule).¹⁹ While FinCEN is postponing new reporting requirements until March 1, 2026²⁰, you and your customers should watch closely for further developments.
- **Market Volatility:** Crypto prices are highly volatile, which can pose significant risks for both buyers and sellers. Stablecoins are digital assets linked to fiat currencies, which are government-issued money such as the U.S. dollar or euro that derive their value from the trust and authority of the issuing government.²¹ These stablecoins are often used to mitigate volatility risk in crypto-based transactions.²² Smart contracts can also include clauses that adjust payment amounts based on market fluctuations.²³ However, parties to a real estate transaction should take great care in negotiating and executing said “smart contracts” – as enforceability will be a key issue should

¹⁷ *Supra* note 8 (citing Chynoweth).

¹⁸ Donna Daniels & Walid A. Raad, *AML Issues in Cryptocurrency and Blockchain Technology*, BLOOMBERG L. (Mar. 2021), <https://www.bloomberglaw.com/external/document/XB8LV1T4000000/banking-professional-perspective-aml-issues-in-cryptocurrency-an>.

¹⁹ Anti-Money Laundering Regulations for Residential Real Estate Transfers Rule (RRE Rule) (Aug. 29, 2024), <https://www.federalregister.gov/documents/2024/08/29/2024-19198/anti-money-laundering-regulations-for-residential-real-estate-transfers> (last accessed Nov. 8, 2025).

²⁰ *FinCEN Announces Postponement of Residential Real Estate Reporting Until March 1, 2026* FINCEN (Sept. 30, 2025), [https://www.fincen.gov/news/news-releases/fincen-announces-postponement-residential-real-estate-reporting-until-march-1#:~:text=WASHINGTON---To%20reduce%20business%20burden,Transfers%20Rule%20\(RRE%20Rule\)%20until](https://www.fincen.gov/news/news-releases/fincen-announces-postponement-residential-real-estate-reporting-until-march-1#:~:text=WASHINGTON---To%20reduce%20business%20burden,Transfers%20Rule%20(RRE%20Rule)%20until).

²¹ *Id.*

²² James Chen, “Fiat Money,” INVESTOPEDIA (Aug. 28, 2025), <https://www.investopedia.com/terms/f/fiatmoney.asp>.

²³ *Supra* note 6.

problems arise before and/or after closing. And, ultimately, there is a risk of the cryptocurrency depreciating in value between the contract and settlement dates.

- **Limited Adoption:** While many are excited about the adoption of crypto in real estate transactions, many sellers still prefer traditional fiat transactions – for good reason. Real estate, legal, and other professionals may lack the technical knowledge or framework to facilitate crypto deals, creating barriers to widespread implementation. Even with a framework for implementation, should an issues arise during the transaction or post-closing, it may be difficult to enforce any rights or remedies.
- **Lack of Standardization:** Because each transaction is generally a unique, one-off scenario, it could lead to confusion and delays across the various parties and vendors involved in the transaction.
- **Transactions Are Generally Not Reversible.** If a buyer sends crypto funds to the wrong address because of a typo, or falls victim to a scam, they are likely not going to be able to recover those funds. Even though blockchain is secure, the components to crypto – like digital wallets – are vulnerable to hackers and scams.

Protecting Customers in a Real Estate Transaction

When working with sellers, REALTOR® members should potential buyers who want to use cryptocurrency for proof of cash funds or a letter from a lender that shows the buyer could complete the purchase without cryptocurrency, if needed.²⁴ Alternatively, listing brokers and agents could negotiate higher deposits from the buyer to account for the risk.²⁵ When working with buyers, a listing broker or agent can protect their customers by: suggesting they convert crypto to cash before submitting their offer or signing a contract in order to assuage a seller's concerns about currency depreciation; and, connecting the buyer with banks, lenders, attorneys, title companies, and tax professionals who are experienced with cryptocurrency transactions in order to protect their customer and to successfully close the transaction.²⁶

Looking Ahead: Miami's Role in the Future of Real Estate

Miami's leadership in digital finance and real estate innovation makes it a prime location for foreign investors interested in cryptocurrency. The real estate industry has been actively exploring tokenization, blockchain-based title systems, smart contract platforms, and even virtual real estate opportunities in the metaverse.²⁷ MIAMI REALTORS® is closely watching those developments. For real estate professionals, the

²⁴ Matt Troiani, *How to Protect Your Clients in a Crypto Transaction*, NATIONAL ASSOCIATION OF REALTORS® (Aug. 14, 2023), <https://www.nar.realtor/magazine/real-estate-news/law-and-ethics/how-to-protect-your-clients-in-a-crypto-transaction>.

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Supra* note 8 (citing Chynoweth).

ability to navigate this evolving landscape will be a significant advantage in the future, as Miami is one of the world's most dynamic markets.

ABOUT THE AUTHOR

Rachel Sygall is a law student at the University of Miami School of Law. She participated in the General Counsel Practicum hosted by the MIAMI Association of REALTORS® in the Fall 2025 semester — an opportunity offered to exceptional law students seeking to gain practical experience in the legal field. The only of its kind in the state, and under the supervision of MIAMI REALTORS®' Chief Legal Counsel & COO, Evian White De Leon, students engage in substantive legal work that connects classroom theory with real-world application.