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IRS Updates & Hot Topics

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IRS Sr. Stakeholder Liaison

August 31, 2024





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A photograph of a person swimming underwater, viewed from below. The swimmer's head and arms are visible, and they are creating a large splash of water at the surface. The background is dark, making the water and the swimmer stand out.

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 **IRS** irs.gov/securitysummit



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Creating a Written Information Security Plan for your Tax & Accounting Practice





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taxpayer
services
and
online tools
are now
available!



IRS irs.gov/news



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IRS reopens Voluntary Disclosure Program to help businesses with problematic Employee Retention Credit claims; sending up to 30,000 letters to address more than \$1 billion in errant claims

Topics in the news

News releases

News releases for frequently asked questions

Multimedia center

Tax relief in disaster situations

Inflation Reduction Act

Tax reform

Taxpayer First Act

Tax scams and consumer alerts

The tax gap

Fact sheets

IRS Tax Tips

IR-2024-212, Aug. 15, 2024

WASHINGTON —The Internal Revenue Service announced today a limited time reopening of the Voluntary Disclosure Program to help businesses fix incorrect Employee Retention Credit claims as the agency continues compliance work.

The Employee Retention Credit (ERC) Voluntary Disclosure Program (VDP) will run through November 22 and allow businesses a chance to correct improper payments at a 15% discount and avoid future audits, penalties and interest. During the first disclosure program that ended in March, there were more than 2,600 applications from ERC recipients that disclosed \$1.09 billion worth of credits.

To underscore the importance of participating in the Voluntary Disclosure Program, the IRS also announced it plans to mail up to 30,000 new letters to reverse or recapture potentially more than \$1 billion in improper ERC claims. Thousands more mailings on additional questionable payments will be made in the fall.

“The limited reopening of the Voluntary Disclosure Program provides an opportunity for those with improper claims to come in ahead of IRS compliance work and get a discount on repayments,” said IRS Commissioner Danny Werfel. “This is especially important given increasing IRS compliance actions involving bad claims, many of them are the result of aggressive marketing tactics to lure unsuspecting businesses into claiming the complex credit. This provides a final window of opportunity for those misled businesses to make adjustments and avoid future compliance action by the IRS.”

“The push by promoters flooded the IRS with questionable ERC claims, which clogged our systems and slowed work,” Werfel added. “We recognize well-meaning businesses are caught up in this, and we are taking important steps to help them. This includes reopening the Voluntary Disclosure Program as well as getting more payments out to qualifying businesses.”

Last week, the IRS announced it was taking [additional steps](#) to move forward with ERC, including updates on the processing moratorium, compliance actions and upcoming payments. In recent weeks, the IRS separately sent out 28,000 disallowance letters to businesses whose pending claims showed a high risk of being incorrect. The IRS estimates that these disallowances



IRS moves forward with Employee Retention Credit claims: Agency accelerates work on complex credit as more payments move into processing; vigilance, monitoring continues on potentially improper claims

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IR-2024-203, Aug. 8, 2024

WASHINGTON — The Internal Revenue Service announced today additional actions to help small businesses and prevent improper payments in the [Employee Retention Credit \(ERC\)](#) program, including accelerating more payments and continuing compliance work on the complex pandemic-era credit that was flooded with claims following misleading marketing.

The IRS is continuing to work denials of improper ERC claims, intensifying audits and pursuing civil and criminal investigations of potential fraud and abuse. The findings of the IRS review, announced in June, confirmed concerns raised by tax professionals and others that there was an extremely high rate of improper ERC claims in the current inventory of ERC claims.

In recent weeks, the IRS has sent out 28,000 disallowance letters to businesses whose claims showed a high risk of being incorrect. The IRS estimates that these disallowances will prevent up to \$5 billion in improper payments. Thousands of audits are underway, and 460 criminal cases have been initiated. The IRS has also identified 50,000 valid ERC claims and is quickly moving them into the pipeline for payment processing in coming weeks. These payments are part of a low-risk group of claims.

Given the complexity of the ERC and to reduce the risk of improper payments, the IRS emphasized it is moving methodically and deliberately on both the disallowances as well as additional payments to balance the needs of businesses with legitimate claims against the promoter-fueled wave of improper claims that came into the agency.

“The Employee Retention Credit is one of the most complex tax provisions ever administered by the IRS, and the agency continues working hard to balance our work to protect taxpayers from improper claims while also making payments to qualifying businesses,” said IRS Commissioner Danny Werfel. “It has been a time-consuming process to separate valid claims from invalid ones. During the past year, we maintained a steady cadence of both ERC approvals and disapprovals.”



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Taxable Transactions with Digital Assets



Objectives

Today our presentation will help you:

- Identify taxable events involving digital assets
- Calculate income, gains and losses associated with digital asset transactions
- Report income, gains and losses associated with taxable digital asset transactions for individuals filing Form 1040 and 1040-SR tax returns



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Identifying taxable events involving digital assets





What are digital assets?



Any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary



General federal tax concepts for digital asset transactions



Taxed as property, not currency

- Federal income tax principles applicable to property transactions drive the tax treatment of digital assets



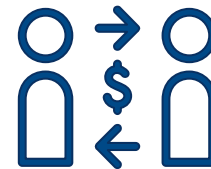
Payment received

- Ordinary income recognition if received as payment for goods or services
- Income recognition generally forms the basis of the digital assets received



Value

- Measured in USD at the fair market value at the time of receipt
- Receipt occurs when the recipient first has dominion and control



Common recognition events

- Sale of digital assets for cash or other property, including other digital assets
- Use of digital assets to pay for goods and services
- Receipt of digital assets as payments for goods and services



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Form 1040 digital asset question

Form 1040	Department of the Treasury—Internal Revenue Service	2023	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.	
For the year Jan. 1–Dec. 31, 2023, or other tax year beginning		, 2023, ending		, 20	
Your first name and middle initial		Last name		Your social security number	
If joint return, spouse's first name and middle initial		Last name		Spouse's social security number	
Home address (number and street). If you have a P.O. box, see instructions.			Apt. no.	Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse	
City, town, or post office. If you have a foreign address, also complete spaces below.			State		ZIP code
Foreign country name			Foreign province/state/county		Foreign postal code
Filing Status Check only one box.	<input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly (even if only one had income) <input type="checkbox"/> Married filing separately (MFS) <input type="checkbox"/> Head of household (HOH) <input type="checkbox"/> Qualifying surviving spouse (QSS) If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:				
Digital Assets	At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) <input type="checkbox"/> Yes <input type="checkbox"/> No				
	Someone can claim: <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent				

<https://www.irs.gov/form1040>



When to check “Yes”

Taxpayers must generally check the "Yes" box if they transacted in digital assets during the year. Examples of transactions that would require a “yes” response include the following:

- Receiving digital assets as payment for property or services provided;
- Receiving digital assets resulting from a reward or award;
- Receiving digital assets resulting from a hard fork;



When to check “Yes” (cont.)

- Receiving new digital assets resulting from mining, staking and similar activities;
- Disposing of digital assets in exchange for property or services;
- Disposing of a digital asset for another digital asset;
- Selling a digital asset; or
- Otherwise disposing of any other financial interest in a digital asset.



When to check “No”

Some digital asset transactions or activity may not require a “Yes” response. Taxpayers may check “No” when their activity consists only of the following:

- Holding digital assets in a wallet or account
- Transferring digital assets between accounts or addresses controlled by the taxpayer
- Purchasing digital assets using U.S. dollars or other fiat currency



Examples of questions to ask clients:

- Have you bought or sold any digital assets?
- Have you received any digital assets as a form of payment for goods or services rendered?
- Have you transferred any digital assets from one wallet or exchange to another?
- Have you staked any digital assets to earn staking rewards?



Examples of questions to ask clients (cont.):

- Have you used any digital assets to purchase goods or services during the tax year?
- Have you mined any digital assets during the tax year?
- Have you engaged in any other digital asset transactions that you think may be relevant for tax purposes?



Calculating and reporting income, gain and loss for taxable digital asset transactions on Form 1040 / 1040-SR



Federal tax principles applicable to property transactions

Capital gains and losses

- Capital gain or loss on the sale of digital assets is generally equal to the amount realized less the adjusted basis
- Holding period determines whether the gain or loss is short-term or long-term



Federal tax principles applicable to property transactions (cont.)

Ordinary income

- Digital assets received for performing services result in ordinary income at the time of receipt



Records needed for computing income, gain and loss (must-haves)

- Timestamp (date and time when the transaction took place)
- Transaction type (buy, sell, send, receive, etc.)
- Asset description
- Number of units
- U.S. dollar equivalent at the time of the transaction
- Adjusted basis of the asset sold



Records needed for computing income, gain and loss (helpful)

- Digital asset addresses
- Transaction hashes
- Counterparties
- Transaction descriptions
- Invoices, purchase orders and similar documents



How to read an exchange statement

Timestamp	Transaction Type	Currency / Symbol Asset	Unit / Amount Quantity Transacted	Spot Price Current
2017-06-08T22:41:42Z	Buy	BTC	0.00714457	USD
2017-06-10T17:39:06Z	Buy	ETH	3	USD
2017-12-12T23:18:22Z	Buy	ETH	0.75096217	USD

ice Currency	Spot Price at Transaction	Subtotal	Total	Fees	Notes
	2799.33	20	21.49	1.49	Bought 0.00714457 BTC for \$21.49 USD
	322.04	966.13	980.53	14.4	Bought 3.0000 ETH for \$980.53 USD
	665.81	500	507.45	7.45	Bought 0.75096217 ETH for \$507.45 USD



Capital gain or loss – amount realized

<u>Date</u>	<u>Transaction Type</u>	<u>Unit/Amount</u>	<u>Asset</u>	<u>USD</u>	
4/15/2022 21:17	BUY	1.0	BTC	\$ 20,000	
6/15/2022 23:21	BUY	1.0	BTC	\$ 18,000	
8/15/2022 18:22	SELL	1.5	BTC	\$ 32,000	

- Client purchases 1 BTC on 04/15/2022 with \$20,000 in cash, and an additional 1 BTC on 06/15/2022 with \$18,000 in cash.
- Client sells 1.5 BTC on 8/15/2022 for \$32,000 in cash. This represents the client's amount realized from the sale.



Capital gain or loss – adjusted basis

- Cash used to purchase the BTC on 4/15/2022 and 6/15/2022 establishes the client's basis in the BTC
- The client sold 1.5 of the 2 BTC on 8/15/2022
- Absent specific identification of the tax lot sold, the client should compute the basis using the first-in-first-out (FIFO) method



Capital gain or loss – adjusted basis (cont.)

- The client's adjusted basis is therefore \$29,000, which is equal to the entire first lot of BTC (\$20,000) and 50 percent of the second lot of BTC ($\$18,000 * 50\% = 9,000$). The sum of \$20,000 and \$9,000 is equal to \$29,000

* This example does not consider the impact of transaction fees



Capital gain

Purchase Date	Unit	Asset	Basis
4/15/2022	1	BTC	\$ 20,000
6/15/2022	1	BTC	\$ 18,000

Sale Date	Unit	Asset	Gross Sale
8/15/2022	1.5	BTC	\$ 32,000

Sale Amount	Basis	Capital Gain
\$ 32,000	\$ 29,000	\$ 3,000

Client's basis in remaining unit:

Purchahse Date	Unit	Asset	Basis
6/15/2022	0.5	BTC	9,000



Documenting basis in digital assets

Records, records and more records, including the following:

- Export of all activity from centralized exchange accounts
 - Internal records for any transfers to, from, and between accounts
 - A list of self-hosted wallet addresses and all related blockchain activity associated with those addresses (i.e. interactions with decentralized exchanges, decentralized lending protocols, and NFT marketplaces)
-



Documenting basis in digital assets (cont.)

Records, records and more records, including the following (continued):

- All records associated with staking, mining, validating and similar activities
- Purchase card transactions for debit cards linked to digital asset accounts

Documenting basis is critical



Unknown receipt of a digital asset

<u>Date</u>	<u>Transaction Type</u>	<u>Unit/Amount</u>	<u>Asset</u>	<u>USD</u>	<u>Transaction Hash</u>
6/12/2022 18:17	RECEIVE	0.5	BTC	\$ 10,000	2gkd6a5kccp8g9eca85284b5pcc37aed7497767yyy9db132ebda477ggeg682c1

Observations when reviewing client's records

- Receipt of 0.5 BTC worth \$10,000 on 6/12/2022

Question to ask your client

- Who did you receive this bitcoin from?
- Why did you receive this bitcoin?



Wages from services – facts

- Client is an employee of a tech repair company. His employer paid him 0.5 bitcoin as payment for his services.
- At the time of payment, the FMV of 0.5 BTC is \$10,000.

<u>Date</u>	<u>Transaction Type</u>	<u>Unit/Amount</u>	<u>Asset</u>	<u>USD</u>	<u>Transaction Hash</u>
6/12/2022 18:17	RECEIVE	0.5	BTC	\$ 10,000	2gkd6a5kccp8g9eca85284b5pcc37aed7497767yyy9db132ebda477ggeg682c1
8/12/2022 21:17	SELL	0.5	BTC	\$ 12,000	

- Two months later, when the FMV of 0.5 BTC reached \$12,000, your client decides to sell it.

How should your client report these transactions?



Wages from services – analysis

- The client must include the fair market value of 0.5 BTC at the time of receipt (\$10,000) as wages on his Form 1040 for the year he received it. The employer should report \$10,000 as wages to the employee on Form W-2.
- The client recognizes a short-term capital gain of \$2,000 (\$12,000-\$10,000) when he sells the 0.5 BTC for \$12,000 cash

* This example does not consider the impact of transaction fees



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Reporting wages

Form 1040		Department of the Treasury—Internal Revenue Service		2022		OMB No. 1545-0074		IRS Use Only—Do not write or staple in this space.	
Filing Status Check only one box.		<input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately (MFS) <input type="checkbox"/> Head of household (HOH) <input type="checkbox"/> Qualifying surviving spouse (QSS) If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:							
Your first name and middle initial		Last name				Your social security number			
If joint return, spouse's first name and middle initial		Last name				Spouse's social security number			
Home address (number and street). If you have a P.O. box, see instructions.						Apt. no.		Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse	
City, town, or post office. If you have a foreign address, also complete spaces below.				State		ZIP code			
Foreign country name		Foreign province/state/county		Foreign postal code					
Digital Assets		At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No							
Standard Deduction		Someone can claim: <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <input type="checkbox"/> Spouse itemizes on a separate return or you were a dual-status alien							
Age/Blindness		You: <input type="checkbox"/> Were born before January 2, 1958 <input type="checkbox"/> Are blind Spouse: <input type="checkbox"/> Was born before January 2, 1958 <input type="checkbox"/> Is blind							
Dependents If more than four dependents, see instructions and check here . . . <input type="checkbox"/>		(1) First name Last name		(2) Social security number		(3) Relationship to you		(4) Check the box if qualifies for (see instructions): Child tax credit Credit for other dependents	
								<input type="checkbox"/> <input type="checkbox"/>	
								<input type="checkbox"/> <input type="checkbox"/>	
								<input type="checkbox"/> <input type="checkbox"/>	
								<input type="checkbox"/> <input type="checkbox"/>	
Income		1a Total amount from Form(s) W-2, box 1 (see instructions)						1a 10,000	
		1b Household employee wages not reported on Form(s) W-2						1b	



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Reporting capital gain

Form 8949 Department of the Treasury Internal Revenue Service	Sales and Other Dispositions of Capital Assets Go to www.irs.gov/Form8949 for instructions and the latest information. File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.	OMB No. 1545-0074 2022 Attachment Sequence No. 12A					
Name(s) shown on return		Social security number or taxpayer identification number					
<p>Before you check Box A, B, or C below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.</p>							
Part I Short-Term. Transactions involving capital assets you held 1 year or less are generally short-term (see instructions). For long-term transactions, see page 2. Note: You may aggregate all short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 1a; you aren't required to report these transactions on Form 8949 (see instructions).							
<p>You must check Box A, B, or C below. Check only one box. If more than one box applies for your short-term transactions, complete a separate Form 8949, page 1, for each applicable box. If you have more short-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.</p>							
<p><input type="checkbox"/> (A) Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)</p> <p><input type="checkbox"/> (B) Short-term transactions reported on Form(s) 1099-B showing basis wasn't reported to the IRS</p> <p><input type="checkbox"/> (C) Short-term transactions not reported to you on Form 1099-B</p>							
1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis See the Note below and see <i>Column (e)</i> in the separate instructions.	Adjustment, if any, to gain or loss If you enter an amount in column (g), enter a code in column (f). See the separate instructions.	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g).
						(f) Code(s) from instructions	(g) Amount of adjustment
	0.5 bitcoin	6/12/2022	8/12/2022	12,000	10,000		2,000



Self-employed income from services

- Same set of facts, except the client is a self-employed attorney
- 0.5 BTC payment for services that has the FMV of \$10,000 at the time of receipt
- Sold 2 months later for \$12,000



Self-employed income from services (cont.)

- The attorney must include the FMV of 0.5 BTC (\$10,000) in her income on Schedule C (Form 1040) in the year she received it and pay any related self-employment tax
- Upon the sale of 0.5 BTC for fiat currency, the attorney realizes a short-term capital gain of \$2,000 (\$12,000-\$10,000)

* This example does not consider the impact of transaction fees



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Reporting income on Schedule C

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Go to www.irs.gov/ScheduleC for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.		2022 Attachment Sequence No. 09	
Name of proprietor			Social security number (SSN)		
<div></div>			<div></div>		
A Principal business or profession, including product or service (see instructions)			B Enter code from instructions		
<div></div>			<div></div>		
C Business name. If no separate business name, leave blank.			D Employer ID number (EIN) (see instr.)		
<div></div>			<div></div>		
E Business address (including suite or room no.)					
City, town or post office, state, and ZIP code					
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify)					
G Did you "materially participate" in the operation of this business during 2022? If "No," see instructions for limit on losses			<input type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2022, check here			<input type="checkbox"/>		
I Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions			<input type="checkbox"/> Yes <input type="checkbox"/> No		
J If "Yes," did you or will you file required Form(s) 1099?			<input type="checkbox"/> Yes <input type="checkbox"/> No		
Part I Income					
1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked			<input type="checkbox"/>		
			1		10,000



Ordinary income – staking rewards

<u>Date</u>	<u>Type / Transaction</u>	<u>Unit/Amount</u>	<u>Asset / Currency / Pair / Market / Symbol</u>	<u>USD</u>	
4/23/2022	Rewards	0.4375	IRS	\$ 25.00	
4/24/2022	Rewards	0.447825	IRS	\$ 27.00	
4/24/2022	Rewards	0.450483	IRS	\$ 28.00	
4/27/2022	Rewards	0.423226	IRS	\$ 32.00	

Staking rewards on various days





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Reporting ordinary income - Schedule 1

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		2022 Attachment Sequence No. 01	
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number		
Part I Additional Income					
1	Taxable refunds, credits, or offsets of state and local income taxes	1			
2a	Alimony received	2a			
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C	3			
4	Other gains or (losses). Attach Form 4797	4			
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5			
6	Farm income or (loss). Attach Schedule F	6			
7	Unemployment compensation	7			
8	Other income:				
	r Scholarship and fellowship grants not reported on Form W-2	8r			
	s Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	()		
	t Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t			
	u Wages earned while incarcerated	8u			
	z Other income. List type and amount:				
	Digital Asset Staking Income 1.759034 IRS coins	8z	112		
9	Total other income. Add lines 8a through 8z	9			
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10			

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2022



Sale of staking rewards

<u>Date</u>	<u>Type / Transaction</u>	<u>Unit/Amount</u>	<u>Asset / Currency / Pair / Market / Symbol</u>	<u>USD</u>	
4/23/2022	Rewards	0.4375	IRS	\$ 25.00	
4/24/2022	Rewards	0.447825	IRS	\$ 27.00	
4/24/2022	Rewards	0.450483	IRS	\$ 28.00	
4/27/2022	Rewards	0.423226	IRS	\$ 32.00	
12/25/2022	Sell	1.759034	IRS	\$ 85.00	

- Total staking rewards included in ordinary income when received \$112 in total (basis established)
- Sale of total IRS asset \$85
- Capital Loss of (\$27)



**IRS guidance requires
custodial brokers to
report sales and
exchanges of digital
assets, including
cryptocurrency.**





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[Home](#) / [News](#) / [News releases](#) / IRS updates draft version of Form 1099-DA, Digital Asset Proceeds From Broker Transactions; requests comments on form planned for 2025

IRS updates draft version of Form 1099-DA, Digital Asset Proceeds From Broker Transactions; requests comments on form planned for 2025

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News releases

News releases for frequently asked questions

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IR-2024-204, Aug. 9, 2024

WASHINGTON — The Internal Revenue Service today posted an early draft of the updated Form 1099-DA, which is the form for brokers to report certain sale and exchange transactions of digital assets that take place beginning in calendar year 2025. Generally, these forms will be sent separately to taxpayers and the IRS in early 2026.

The new draft of [Form 1099-DA, Digital Asset Proceeds From Broker Transactions](#), [PDF](#), reflects the [final regulations](#) for custodial broker reporting and includes the transitional relief described in [Notice 2024-56](#), [Notice 2024-57](#) and [Revenue Procedure 2024-28](#). Interested parties can provide the IRS with comments about the draft at the [forms and publications comments](#) page on IRS.gov.

“This new form will provide more clarity for taxpayers and give them another tool to help them accurately report their digital assets transactions,” said IRS Commissioner Danny Werfel. “We know third-party reporting greatly improves compliance with the nation’s tax law. This step will also help us make sure digital assets are not used to hide taxable income, including in high-income categories, while providing taxpayers who play by the rules more information to accurately report their income.”

“Digital assets greatly increase the complexity of our tax system, and the IRS continues to work to make improvements in this area as part of our larger efforts to transform the agency,” Werfel added. “We will continue working this area to help ensure the tax laws are met while working to reduce burden wherever possible to help taxpayers in this challenging area.”

As part of the process that will lead to a final version of the form, the IRS posted the new draft of Form 1099-DA to IRS.gov along with the instructions for the recipients of the form. The IRS expects to post the draft instructions for filers soon. Once the draft filer instructions have been posted, a notice will be published in the Federal Register to allow for a 30-day comment period.

The IRS issued a [news release](#) at the end of June announcing the [final regulations](#) on the reporting requirements for custodial brokers regarding digital assets, while informing the public that the agency would soon release an updated form.



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The New Draft of Form 1099-DA

☐ CORRECTED (if checked)

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Applicable checkbox on Form 8949		OMB No. 1545-XXXX 2025 Form 1099-DA		Digital Asset Proceeds From Broker Transactions
		1a Code for digital asset				
FILER'S TIN		RECIPIENT'S TIN		1b Name of digital asset		Copy B For Recipient
RECIPIENT'S name		1c Number of units				
Street address (including apt. no.)		1d Date acquired		1e Date sold or disposed		This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
City or town, state or province, country, and ZIP or foreign postal code		1f Proceeds \$		1g Cost or other basis \$		
Account number		1h Accrued market discount \$		1i Wash sales loss disallowed \$		
CUSIP number		2 Check if basis reported to IRS <input type="checkbox"/>		3a Reported to IRS: <input type="checkbox"/> Gross proceeds <input type="checkbox"/> Net proceeds		
5 Check if loss is not allowed based on amount in 1f <input type="checkbox"/>		3b Check if proceeds from: <input type="checkbox"/> Reserved for future use <input type="checkbox"/> QOF		4 Federal income tax withheld \$		
6 Gross gain or loss: <input type="checkbox"/> Short-term <input type="checkbox"/> Ordinary <input type="checkbox"/> Long-term		7 Check if 1f is only cash <input type="checkbox"/>		8 Check if broker relied on customer-provided acquisition information <input type="checkbox"/>		
9 Check if digital asset is a noncovered security <input type="checkbox"/>		10 Digital asset is a noncovered security because: <input type="checkbox"/> Broker did not provide custodial services for it <input type="checkbox"/> Broker provided custodial services and it was transferred in to broker <input type="checkbox"/> Broker provided custodial services and it was acquired prior to 2026		11a Check if gross proceeds reported in 1f is an aggregate amount for: <input type="checkbox"/> Qualifying stablecoins <input type="checkbox"/> Specified NFTs		
11b If 11a checked, number of transactions		11c For aggregate reporting of specified NFTs, aggregate gross proceeds reported in 1f that are attributable to first sales by creator or minter \$		12a Number of units transferred in		
14 State name		15 State identification no.		12b If transferred in, provide transfer-in date		
16 State tax withheld \$				13		

Form **1099-DA** (Keep for your records) www.irs.gov/Form1099DA Department of the Treasury - Internal Revenue Service



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THANK YOU!

