

Internal Revenue Service Advisory Council (IRSAC)
1111 Constitution Avenue NW, Washington, DC 20224

October 11, 2024

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Internal Revenue Service
1111 Constitution Avenue NW
Washington, D.C. 20224

Submitted to IRS.gov/FormsComments Re: NTF1099-DA

Re: Comments on Draft Filer Instructions for Form 1099-DA, Digital Asset Proceeds from Broker Transactions

To Whom It May Concern:

The Internal Revenue Service Advisory Council (IRSAC) is pleased to provide comments in response to the request accompanying the release of the draft 2025 filer instructions (dated September 30, 2024) for Form 1099-DA, Digital Asset Proceeds From Broker Transactions, as well as the Request for Comments; Digital Asset Proceeds From Broker Transactions posted in the [Federal Register](#) on October 7, 2024, with respect to the draft version of 2025 Form 1099-DA, Digital Asset Proceeds From Broker Transactions (dated September 9, 2024).

The IRSAC serves as an advisory body to the Commissioner of the Internal Revenue Service (IRS) and agency leadership. This group consists of 32 volunteer members appointed by the IRS and represents a broad cross-section of interests and areas of expertise in various aspects of tax compliance and administration. The IRSAC provides an organized forum for discussion of tax administration issues between IRS officials and representatives of the public. The IRSAC reviews existing tax policy and administrative issues and makes recommendations in an annual written report to achieve efficient and effective tax Administration.

The IRSAC members work within five broad subject matter groups. These subgroups are Information Reporting, Large Business & International, Small Business/Self-Employed, Tax-Exempt/Government Entities, and Taxpayer Services (formerly named Wage & Investment).

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Our comments on the draft Form 1099-DA filer instructions (dated September 30, 2024) address the following matters:

1. Digital asset brokers should be allowed to default recipients into receiving electronic recipient statements.
2. The box for “Applicable checkbox on Form 8949” should not be required for calendar year 2025 transactions.
3. Box 1a “Code for digital asset” should not be required for calendar year 2025 transactions.
4. The IRS should consider providing taxpayers with a link that allows them to access digital asset token identifier numbers in an easily accessible manner.
5. Box 8 “Check if Broker Relied on Customer-Provided Acquisition Information” should be eliminated from the form.
6. Box 10 “Digital asset is a noncovered security because” should be eliminated from the form.
7. Box 12b “If transferred in, provide transfer-in date” should either be eliminated from the form or if lots were transferred in on multiple dates then brokers should be able to leave the box blank or write in “various”.
8. The 2025 Instructions for Form 1099-DA should be updated to remove typographical errors in form names.

Details of our comments follow.

**Recommended Changes to Draft Filer Instructions (dated September 30, 2024) to
Form 1099-DA, Digital Asset Proceeds from Broker Transactions**

1. Digital asset brokers should be allowed to default recipients into receiving electronic recipient statements.

Regulations under Section 6045 require brokers to mail recipient statements to the last known address of the customer. The final regulations for Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions released on June 28, 2024,¹ do not address how statements must be delivered to recipients. Brokers are left to apply the current Section 6045 requirement to recipient statements for digital asset transactions.

Public Law 107-147 authorized issuers of Forms 1099 to electronically furnish such statement (without regard to any first-class mailing requirement) to any recipient who has consented to the electronic provision of the statement in a manner similar to the one permitted under regulations issued under Treas. Reg. § 31.6051-1(j) or in such other

¹ Final Regulations: Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions, T.D. 10000, July 9, 2024; <https://www.govinfo.gov/content/pkg/FR-2024-07-09/pdf/2024-14004.pdf>.

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manner as provided by the Secretary. Procedures for electronic delivery of recipient statements are laid out in Section 4.6 of Publication 1179 General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns.²

It is impractical to require digital asset brokers to develop an affirmative consent system for customers who will now be 1099-DA recipients to opt into receiving electronic Forms 1099 because most digital asset brokers conduct *all* transactions with their customers electronically. Issuing statements via the U.S.P.S. is also unmanageable given the large number of Forms 1099-DA that are expected to be issued. Digital asset brokers do not send physical mail to their clients for any interactions and so may not have a current mailing address for those recipients. Generally, these brokers communicate with their clients solely through electronic means. Each customer has therefore, either actually or de facto, consented to electronic receipt of all communications. In addition, the current burden estimates contained in the final regulations for reporting digital asset sales do not factor in the high cost and environmental impact of printing and mailing up to eight billion Forms 1099-DA. Preliminary evaluation of the draft Form 1099-DA requirements by the firm of one IRSAC member indicates that there are individuals who will receive thousands of Forms 1099-DA.

The IRS should provide guidance to allow brokers who facilitate trades of digital assets through electronic means, such as a smartphone, tablet, computer, or similar technology, to be permitted to furnish Form 1099-DA statements to a recipient electronically without requiring the recipient to first consent separately to receive such statements electronically. Taxpayers have demonstrated they have the means to access information return statements electronically because they conduct all their transactions and receive current communications electronically from the digital asset broker. These two factors combine to satisfy the requirements of Publication 1179 for electronic delivery of Forms 1099-DA.

2. The box for “Applicable checkbox on Form 8949” should not be required for calendar year 2025 transactions.

The Draft 2025 Instructions for Form 1099-DA state that for sales effected in 2025 brokers must complete all unnumbered boxes on Form 1099-DA except the CUSIP (Committee on Uniform Security Identification procedures) number box, which may be left blank if there is no applicable number. The final regulations require brokers to report the adjusted basis of digital assets if they were acquired on or after January 1, 2026.³ Brokers who do not have cost basis systems in place prior to this date will not be able to provide recipients of Form 1099-DA with a code that will assist them in reporting the transaction on Form 8949, Sales and other Dispositions of Capital Assets. Brokers should be permitted to leave this box blank for calendar year 2025 transactions.

² P.L. 107-147, title IV, Sec. 401, Mar. 9, 2002, 116 Stat. 40.

³ *Id.*

3. Box 1a “Code for digital asset” should not be required for calendar year 2025 transactions.

The instructions require brokers to enter a nine alphanumeric characters digital token identification issued by the Digital Token Identification Foundation (DTIF). While we recognize the need to have a uniform identifier for digital assets, U.S. Digital Asset brokers do not currently utilize the identifiers created by this U.K. based foundation. We recommend the IRS delay the requirement to report the identifier to no earlier than calendar year 2026 transactions to provide digital asset brokers with the time necessary to integrate these numbers into their systems and to educate their users on its use.

4. The IRS should consider providing taxpayers with a link that allows them to access digital asset token identifier numbers in an easily accessible manner.

The Instructions to Form 1099-DA directs brokers to the Digital Token Identifier Foundation (<https://dtif.org>) to locate the digital asset token identifier numbers. This website is not intuitive and requires users to download the registry in JSON dataset format. While brokers may have or can obtain the required programs to read the registry, ordinary taxpayers will not. The IRS should consider providing taxpayers with access to this information in a more friendly format on IRS.gov or encourage DTIF to do so on their website.

5. Box 8 “Check if broker relied on customer-provided acquisition information” should be eliminated from the form.

The Form 1099-DA instructions require brokers to check a box if customer-provided information was relied on to identify which digital assets were sold, exchanged or otherwise disposed of. This information is not required of brokers issuing Form 1099-B Proceeds from Broker and Barter Exchange Transactions and does not assist taxpayers in completing their income tax returns. Cost basis systems used in the digital assets industry (and in traditional finance) do not currently tag lots that are disposed of in this manner. It is recommended that the box be eliminated as complying with this requirement significantly increases the burden on brokers issuing the form and provides no meaningful assistance to the taxpayers in preparing their return.

6. Box 10 “Digital Asset is a noncovered security because” should be eliminated from the form.

Both the Form 1099-B and draft Form 1099-DA (dated September 9, 2024) require brokers to check a box indicating whether a lot is covered or noncovered under section 6045. But the draft Form 1099-DA goes further by requiring digital asset brokers to check a box indicating the reason the lot is noncovered. This information is not necessary for taxpayers to complete their income tax returns. Additionally, traditional cost basis systems are programmed to tag lots as covered and noncovered, but they do not track the reason. Further the draft form only contemplates three reasons lots may be noncovered:

they were purchased before 2023, the broker did not provide hosted wallet services, or it was transferred to the broker before disposition. Other reasons may, and often do, exist. For example, a lot may be noncovered because of the absence of an issuer statement, or for other unknown reasons that again, are not captured by cost basis systems.

It is also unclear whether a broker needs to issue a separate form for each reason a lot is noncovered or whether multiple boxes may be checked per transaction. If brokers are required to issue a separate form per reason this may significantly increase the number of forms required per transaction adding to the costs of compliance and environmental impact of issuing the reporting. We recommend removing this box from Form 1099-DA. In addition to significant resources necessary to build systems capable of tracking the reason and issue a larger volume of forms, providing this information is not necessary for taxpayers to complete their income tax return. .

7. Box 12b “If transferred in, provide transfer-in date,” should either be eliminated or if lots were transferred in on multiple dates brokers should be allowed to leave the box blank or write in “various”.

The instructions require brokers to provide the date lots were transferred in if the lots that were disposed of were transferred into a custodial account. It is not clear whether a separate form will need to be completed if the lots that were disposed of were transferred in on multiple dates or if brokers can leave the box blank as they do with Box 1 if the digital assets were acquired on multiple dates. If brokers are required to issue a separate form for lots transferred in on separate dates it will increase the number of forms issued per transaction increasing costs and environmental impact. The IRS should allow brokers to leave the box blank or to enter the word “various” if the transferred-in lots were acquired on separate dates.

8. The 2025 instructions for Form 1099-DA should be updated to remove errors in form names.

There are two typographical errors on page 6 of the draft instructions for Form 1099-DA:

- Form 8949, Sales or Other Dispositions of Capital Assets should be updated to Form 8949, Sales and Other Dispositions of Capital Assets.
- Schedule D (Form 1040), Capital Gain and Losses should be updated to Schedule D (Form 1040), Capital Gains and Losses.

We appreciate your consideration of these comments and IRSAC members are available to discuss any of them further. You can reach us via the IRS Office of National Public Liaison at publicliaison@irs.gov.

Note: The IRSAC previously submitted comments on the draft 2025 Form 1099-DA (April 18, 2024 version); letter dated June 21, 2024.

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Sincerely,

A handwritten signature in black ink, appearing to read "Annette Nellen". The signature is fluid and cursive, with the first name "Annette" written in a larger, more prominent script than the last name "Nellen".

Annette Nellen
2024 IRSAC Chair