

November 5, 2024

Department of the Treasury
ATTN: Ms. Melody Braswell
Treasury PRA Clearance Officer

By submission to www.reginfo.gov/public/do/PRAMain

RE: 202404-1545-010, Digital Asset Proceeds From Broker Transactions

Dear Ms. Braswell:

Thank you for the opportunity to provide comments on the latest draft Form 1099-DA, which involves gross-proceed reporting by brokers of digital assets. We appreciate the work the Department of the Treasury and the Internal Revenue Service has done in drafting this form and we hope the comments discussed below are helpful in finalizing that form.

About Taxbit

Taxbit is a software technology company that specializes in tax compliance and financial reporting for digital assets. We assist businesses and governments with navigating complexities of digital assets, specifically the challenges of accurately reporting taxable gains, losses, and income from digital-asset activities, as well as complying with Generally Accepted Accounting Principles applicable to digital assets. Our tax and accounting platform is used by some of the largest digital asset exchanges, payment processors, Fortune 500 adopters of digital assets, and government organizations around the world. We also work with many private small- and medium-sized businesses in the digital-asset industry and have been filing Forms 1099 on their behalf since 2019. In the past year alone, we have issued millions of tax forms to and on behalf of retail and enterprise clients and processed billions of transactions – and billions in asset value – through our tax and accounting platform.

Comment on Box 1c Instructions – Sufficiency of Decimal Places

We recommend the IRS change the Instructions for Form 1099-DA, and possibly Form 1099-DA to the extent necessary, to facilitate sufficient placement for enough decimal places under Box 1c. According to those instructions, the broker must, “Enter the number of digital asset units sold, exchanged, or otherwise disposed of in the transaction to 10 decimal places.”¹ Such allowance for decimals would generally facilitate bitcoin transactions, which can extend up to eight places to the right of a decimal point. However, it would be insufficient for transactions involving other blockchains. For example, the native token on the Ethereum blockchain, ether, is divisible to the point of possibly needing 18 spaces to the right of the decimal point, the need for which is not likely but still not out of the ordinary. In our experience in administering to Forms 1099, we suspect that such forms involving asset amounts less than 0.000000000005 that would otherwise round down to

¹ Internal Revenue Service, 2025 Instructions for Form 1099-DA (Sep. 30, 2024), *available at* <https://www.irs.gov/pub/irs-dft/i1099da--dft.pdf>.

zero if only 10 spaces to the right of the decimal spot were permitted would form a small fraction of the total universe of submitted Forms 1099-DA but would still be reflected in millions of those forms each year. Therefore, without further guidance on the matter, this issue could cause significant confusion for reporting brokers. In lieu of expanding the decimal places to be reported beyond 10, we recommend that the IRS clarify how such small amounts are to be reported, if at all. For example, should such amounts not be reported at all? Should they be reported, rounding down to zero, as "0.0000000000"? Or should they be reported as rounding up, as "0.0000000001"?

We appreciate Treasury's and the IRS's consideration of this issue and would welcome the opportunity to further discuss it. If you have any questions, please feel free to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "John Schoenecker", with a large, stylized "J" and "S".

John Schoenecker
Head of Policy
John.Schoenecker@taxbit.com