

Reporting of Digital Assets

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I. Background

Notice 2014-21: Federal tax treatment of virtual currencies (VCs)

- Generally, VCs are treated as property (not currency) and FMV of VCs received in exchange of goods or services is includible in gross income
- Reporting required:
 - W-2 and 1099-MISC for VCs paid as remuneration to employee and independent contractors, respectively
 - 1099-K for VC settlements by third party settlement organizations

I. Background

Section 6045 (prior to amendment)

- Generally, all brokers required to file information returns
- “Broker” includes dealer, barter exchange or any person who (for a consideration) regularly acts as a middleman with respect to property or services
- “Specified security” includes corporation stock, debt instrument, certain commodities, or contracts or derivatives and certain financial instruments

Section 6045 (amended by Infrastructure Investment Jobs Act and w.e.f from January 1, 2024)

- “Broker” now also includes any person who (for consideration) is responsible for regularly providing any service effectuating transfers of digital assets on behalf of another person
- “Specified security” now includes digital assets
- “Digital asset” means any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary
- https://www.sjsu.edu/people/annette.nellen/website/6045_CryptoProposal_Nov2021_AN.pdf

II. What constitutes Digital Assets per Proposed Regs?

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| <ul style="list-style-type: none"> • <i>It includes:</i> • Digital representation of value; even if individual transactions are not captured on the ledger • Assets held in custodial or broker accounts; transactions recorded only in internal ledger | <ul style="list-style-type: none"> • <i>It excludes:</i> • Cash (fiat currency balances and possibly CBDCs) • Stablecoins |
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Proposed regulations published in Federal Register 8/29/23

<https://www.govinfo.gov/content/pkg/FR-2023-08-29/pdf/2023-17565.pdf>

III. What constitutes a sale of Digital Assets?

- It covers:
 - exchange transactions (including for services of a broker)
 - delivery of digital assets pursuant to forward contracts, options or futures contract
- It does not include receipt of new digital assets (pursuant to a hard fork or airdrop) without any exchange of cash or in exchange for services or property
- No clarity regarding reporting requirements for loan of digital assets, wrapping or unwrapping of digital assets, etc.
- Broad emphasis on “effectuating transfers” as added at §6045(g) by IIJA:

(c) Definitions. For purposes of this section-

(1) Broker. The term "broker" includes-

(A) a dealer,

(B) a barter exchange, ~~and~~

(C) any ~~other~~ person who (for ~~a~~ consideration) regularly acts as a middleman with respect to property or services, ~~and-~~

(D) any person who (for consideration) is responsible for regularly providing any service effectuating transfers of digital assets on behalf of another person.

IV. Brokers

- Who is deemed to “effect” a sale of digital assets?
 - A principal in a sale of digital assets who is also a dealer;
 - An issuer which regularly offers to redeem and actually redeems digital assets;
 - Agent who “ordinarily would know the gross proceeds of the sale of digital assets”; and
 - Digital asset middlemen – (1) provides a “facilitative service” w.r.t digital asset sales and (2) is in a position to know the identity of the seller and nature of the transaction
 - Does not include persons providing only validation services or selling hardware/software used to access digital assets
 - Includes digital wallets service providers who provide direct access to trading platforms through such wallets
 - Test for “is in a position to know...” is maintenance of sufficient control or influence over services provided (i.e., control over service terms or service fees and ability to request information)
 - Digital asset payment processors; covers all persons handling digital asset payments for customers, and could be engaged in:
 - Exchange transactions (for example, Bitcoin for Ethereum or Bitcoin for USD)
 - Third-party settlements
 - Miners and stakers excluded

V. What is the information sought?

- Specific details regarding the customer, details of the transaction (including transaction ID) and the digital asset address (e.g., the wallet address) from which the digital asset was transferred
- Privacy concerns due to linking of information
- Extends to digital assets transferred into a broker's account
- Expected to be reported on Form 1099-DA (not yet released by IRS, as of 10/27/23)

VI. Determination of amount realized and cost basis

Amount realized under Section 1001: (w.e.f Jan 1 of the year after final regs are published)

- Sum of (1) the cash received; (2) the FMV of any property received (including digital assets and the issue price of any debt instrument), and (3) the FMV of any services received, *minus* transaction costs allocable to the sale
- If FMV of property or services cannot be accurately determined, then FMV of transferred digital assets is considered
- Digital transaction costs means the amount paid by seller to effect disposition or acquisition of digital assets and includes transaction fees, transfer taxes and commissions
 - If digital assets used to pay costs, FMV of transaction services is included in amount realized
 - In digital asset exchange transactions, ½ of the seller transaction costs are considered

Basis under Section 1012: (w.e.f Jan 1 of the year after final regs are published)

- Generally, basis is the sum of (1) the cost of the digital asset (in exchange transactions), FMV of services or property exchanged or cash paid and (2) the allocable digital transaction cost. If exchanged for materially different digital assets, then only ½ of seller transaction costs considered

Identification (for purposes of basis and holding period)

- If sales of same digital assets in a single wallet or in broker's custody, then as per customer's specification. If not specified, then FIFO with reference to date of purchase (not transfer to wallet/customer account)
- Section 6045A transfer statement reporting will amend these rules

VII. Timeline

- 11/15/21 - IIJA enacted Nov. 2021 (P.L. 117-58, 11/15/21)
- 12/23/22 - IRS delays effective date for §6045 and §6045A broker reporting until final regs issued - Ann. 2023-02
- 9/29/23 – Proposed regs issued under §6045
 - <https://www.govinfo.gov/content/pkg/FR-2023-08-29/pdf/2023-17565.pdf>
- Comments due to IRS 10/30/23 + Public hearing at IRS in DC on 11/7/23
 - Comment period extended to 11/13/23 (FR 73300, 10/25/23).
- January 2026 – brokers issue 1099-DA for 2025 transactions
- If required, reporting of gain or loss and basis info for sales on or after 1/1/26 for DA acquired and continuously held by that broker in customer’s account on or after 1/1/23.
- Real estate reporting persons treated as DA brokers to report when DA used to acquire real estate in transactions that close on or after 1/1/25.
 - Include FMV of digital assets on Form 1099-S.

Other Digital Asset Guidance Issued in 2023

- Notice 2023-24 – modifies Notice 2014-21 to stress that despite bitcoin being legal tender in El Salvador, virtual currency is not a foreign currency.
- CCA 202316008 – ETH Merge of Sept 2022 is not a sale or exchange under §1001 or *Cottage Savings*, 499 US 554 (1991).
- Rev. Rul. 2023-14 – receipt of add’l native units of cryptocurrency from staking by cash basis taxpayer is income in year they gain dominion and control over the rewards.
- Notice 2023-27 – IRS to apply “look-through analysis” to determine if NFT is a collectible. Example: Gems are collectibles. If NFT certifies ownership of a gem, the NFT is a collectible. IRS sought comments.
- CCA 202302011 - No realized loss when crypto drops in value. Not abandoned or worthless if still hold and can be transferred. Several issues unaddressed regarding losses.
- CCA 202302012 – Need qualified appraisal if donate digital asset valued at over \$5,000. No reasonable cause exception as Form 8283 notes need for qualified appraisal. Also, digital assets are not “readily valued property” under §170(f)(11) so no appraisal exception.

IIJA Open Items for Digital Assets

Ann. 2023-02 (12/23/22) only extended effective dates for IIJA changes to §6045 and §6045A until final regs issued. No mention of changes to §6050I and need for merchants to issue Form 8300 after 12/31/23.

- Form is due within 14 days of transaction where merchant receives over \$10,000 digital assets (or along with cash and foreign currency) from customer in one or more related transactions.
- Will IRS provide relief since no guidance issues under §6050I for digital assets?

Will we see legislative changes?

- 7/11/23 – bipartisan [letter](#) from Senate Finance Committee seeking answers by 9/8/23 on several specific questions [next slide]
 - [JCT report](#)
- Lummis-Gillibrand introduce revised [Responsible Financial Innovation Act](#) (S. 2281, 7/12/23) with tax and other law change for crypto assets including 9 IRC changes [next slide]

Reporting of Digital Asset Transactions

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Senate Finance Committee Seeks Input on Various Digital Asset Questions Where Statutory Change Might Be Warranted + JCT Report – 7/11/23

Following topics, SFC provides specific questions for each:

1. Marking-to-Market for Traders and Dealers (IRC Section 475)
2. Trading Safe Harbor (IRC Section 864(b)(2))
3. Treatment of Loans of Digital Assets (IRC Section 1058)
4. Wash Sales (IRC Section 1091)
5. Constructive Sales (IRC Section 1259)
6. Timing and Source of Income Earned from Staking and Mining [see next slide for example of questions]
7. Nonfunctional Currency (IRC Section 988(e))
8. FATCA and FBAR Reporting (IRC Sections 6038D, 1471-1474, 6050I, and 31 U.S.C. Section 5311 et seq.)
9. Valuation and Substantiation (IRC Section 170)

Tax provisions in Loomis-Gilibrand crypto bill, S. ____

(summary from sponsors; important to see details in legislative proposals!)

Title VIII—Responsible Taxation of Crypto Assets

Key Point: Sections 804, 805 and 806 were included in the Treasury Department's 2023 Green Book Proposal recommending changes to the tax code.

- **Sec. 801 (De Minimis Exclusion)** Provides a *de minimis* exclusion of up to \$200 per transaction from a taxpayer's gross income for use of crypto assets for payment for goods and services, under specified conditions.
- **Sec. 802 (Broker Clarification)** Clarifies the definition of 'broker' for the purposes of the Infrastructure Investment and Jobs Act's new reporting requirement on crypto assets, delaying the implementation date to January 1, 2025.
 - Similar to the *Keep Innovation in America Act* (H.R. 1414) previously introduced by Rep. Patrick McHenry in March 2023.
- **Sec. 803 (Sources of Income)** Extends the current safe harbors for securities and commodities trading activity made by non-United States persons who use a United States financial institution to conduct crypto asset trading activities under specified conditions, including that the non-United States person does not have an office in the United States.
- **Sec. 804 (Crypto Asset Lending)** Establishes that crypto asset lending agreements are not generally taxable events, in the same way that securities lending transactions are not today.
- **Sec. 805 (Wash Sales)** Specifies that taxpayers cannot claim a deduction relating to a loss incurred in a crypto asset sale—similar to existing wash provisions for securities.
- **Sec. 806 (Mark to Market)** Requires crypto asset intermediaries to mark their crypto assets to market for accounting purposes at year end.
- **Sec. 807 (Forks, Airdrops and Subsidiary Value)** Provides that the IRS must not recognize crypto assets provided to a taxpayer through a fork or airdrop as gross income until the taxpayer exercises control over the asset.
- **Sec. 808 (Crypto Asset Mining and Staking)** Declares that crypto assets obtained from mining or staking activities do not form part of a taxpayer's gross income until the disposition of those assets.
- **Sec. 809 (Charitable Contributions)** Provides that a qualified appraisal of crypto assets are not required as a condition of a charitable contribution.

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Questions?

Information on Proposed Regs on §6045 Digital Asset Broker Reporting REG–122793–19 (8/29/23)

<https://www.govinfo.gov/content/pkg/FR-2023-08-29/pdf/2023-17565.pdf>

Comments due October 30, 2023 (later extended to November 13, 2023).

Outline of Preamble (to help get a sense of IRS thinking on the regs and issues)

Background

- I. Background on Digital Assets and Virtual Currency
- II. Application of Existing Information Reporting Rules to Virtual Currency or Other Digital Assets
 - A. Sections 1001 and 1012
 - B. Section 6041
 - C. Sections 6045, 6045A, and 6045B
 - D. Section 6050W
- III. Infrastructure Investment and Jobs Act
- IV. Reasons for New Information Reporting Rules for Digital Assets

Explanation of Provisions

- I. **Proposed § 1.6045–1** [This is where the bulk of the content is; see separate list below]
- II. Proposed §§ 1.1001–7, 1.1012–1(h), and 1.1012–1(j)
 - A. Amount Realized
 - B. Basis
 - C. Identification Rules
- III. Proposed § 1.6045–4
- IV. Proposed §§ 1.6045A–1 and 1.6045B–1
- V. Proposed § 1.6050W–1
- VI. Proposed §§ 31.3406(b)(3)–2, 31.3406(g)–2, and 31.3406(g)–1
- VII. **Request for Comments** [this is a list of 51 questions; see separate listing of them at the end of this document]

Special Analysis

- I. Regulatory Planning and Review—Economic Analysis
- II. Paperwork Reduction Act
- III. Regulatory Flexibility Act
- IV. Unfunded Mandates Reform Act
- V. Executive Order 13132: Federalism

I. Proposed § 1.6045–1 [longest section of the preamble]

- A. Expansion of the Types of Property Subject to Reporting
 1. Definition of Digital Assets
 2. Coordination With Reporting Rules for Securities, Commodities, and Real Estate
 3. Rules Applicable to Financial Contracts on Digital Assets
- B. Definition of Brokers Required To Report
 1. Digital Asset Broker
 2. Digital Asset Hosted Wallet Providers
 3. Digital Asset Payment Processors
 4. Other Brokers
 5. Real Estate Reporting Persons
- C. Expansion of the Types of Sales Subject To Reporting
- D. Information To Be Reported for Digital Asset Sales
- E. Gross Proceeds in Digital Asset Transactions
 1. Determining the Gross Proceeds in a Sale Transaction
 2. Determining the Fair Market Value of Property or Services Received in an Exchange Transaction
 3. Determining Digital Asset Transaction Costs Allocable to the Sale in an Exchange Transaction
- F. Adjusted Basis Reporting for Digital Assets and Certain Financial Contracts on Digital Assets
 1. Mandatory Broker Reporting

a. Digital Assets Acquired by Custodial Brokers and Certain Financial Contracts on Digital Assets

b. Acquisition Applicable Date

2. Voluntary Broker Reporting

3. Determining the Adjusted Basis

G. Ordering Rules

H. Exceptions To Reporting

I. Sales Effected at an Office Outside the United States or on Behalf of Exempt Foreign Persons

1. Rules for U.S. Digital Asset Brokers

2. Rules for CFC Digital Asset Brokers Not Conducting Activities as Money Services Businesses

3. Rules for Non-U.S. Digital Asset Brokers That Are Not Conducting Activities as Money Services Businesses

4. Rules for CFC Digital Asset Brokers and Non-U.S. Digital Asset Brokers Conducting Activities as Money Services Businesses

5. Documentation, Reliance, and Presumption Rules Applicable to Digital Asset Brokers

a. Valid Documentation of Foreign Status

b. Presumption Rules

c. Grace Period for Obtaining Documentation

d. Standards of Knowledge for Reliance on Withholding Certificates

e. Standards of Knowledge for Reliance on Documentary Evidence

f. Joint Owners

g. Foreign Intermediaries, Foreign Flow- Through Entities, and Certain U.S. Branches

6. Coordination With Rules Applicable to Sales of Securities

7. Transition Period

J. Special Rules for Barter Exchanges That Effect Certain Digital Asset Exchanges

K. Additional Definitions and Definitional Changes

VII. Request for Comments [this is a list of 51 questions; we need to identify which are priority for the AICPA to address]

Comments are requested on all aspects of these proposed regulations, including the following:

A. Questions From the Explanation of Provisions

The comments specially requested throughout the discussion in the Explanation of Provisions are consolidated here in this Part VII Request for Comments. Comments are requested on the following questions:

1. Does the proposed definition of digital asset accurately and appropriately define the type of assets to which these regulations should apply? See Part I.A.1 of this Explanation of Provisions.
2. Does the definition of digital asset or the reporting requirements with respect to digital assets inadvertently capture transactions involving non- digital asset securities that may use distributed ledger technology, shared ledger, or similar technology to process orders without effecting sales? Should any definitions or reporting rules be modified to address other transactions involving tokenized or digitized financial instruments that are used to facilitate back-office processing of the transaction? See Part I.A.2. of this Explanation of Provisions.
3. If an exception is necessary for transactions involving non-digital asset securities that may use distributed ledger technology or similar technology to process orders without effecting sales, how should it be drafted so that it does not sweep in other transactions (such as tokenized securities, or other digital assets that are securities) that should not be exempted from the reporting requirements? For example, should, and if so how should, reporting requirements distinguish between, and thus avoid double-counting of, sales of digital assets from use of distributed ledger technology or similar technology for mere recordkeeping, clearing, or settlement of tokenized securities or other assets? See Part I.A.2. of this Explanation of Provisions.
4. How common are digital asset options that are also section 1256 contracts? Are there less burdensome alternatives for reporting these digital asset option transactions? For example, would it be less burdensome to allow brokers to report transactions involving section 1256 contracts that are also digital assets or the delivery of non- digital assets that underlie a digital asset option as a sale under proposed §1.6045–1(a)(9)(ii)? See Part I.A.3 of this Explanation of Provisions.
5. Is there is anything factually unique in the way short sales of digital assets, options on digital assets, and other financial product transactions involving digital assets are undertaken compared to similar transactions involving non- digital assets, and do these transactions raise

any additional reporting issues that have not been addressed in these proposed regulations? See Part I.A.3 of this Explanation of Provisions.

6. Are there alternative information reporting approaches that could be used by digital asset trading platforms that collect and retain no information or collect and retain limited information about the identity of their customers that would satisfy tax compliance objectives while reducing privacy concerns? See Part I.B of this Explanation of Provisions.
7. Are there any technological or other technical issues that might affect the ability of a non-custodial digital asset trading platform that is a person who qualifies as a broker to obtain and transmit the information required under these proposed regulations, and how might these issues be overcome? See Part I.B of this Explanation of Provisions.
8. In light of the fact that digital asset trading platforms operate with varying degrees of centralization and effective control by founders or others, does the application of reporting rules only to “persons” (as described in Part I.B of this Explanation of Provisions) adequately limit the scope of reporting obligations to platforms that have one or more individuals or entities that can update, amend, or otherwise cause the platform to carry out the diligence and reporting rules of these proposed regulations? See Part I.B of this Explanation of Provisions.
9. Should the provision of connection software by a wallet provider to a trading platform (that customers of the trading platform can then use to access their wallets from the trading platform) be considered a facilitative service resulting in the wallet provider being treated as a broker? See Part I.B of this Explanation of Provisions.
10. What additional functions potentially provided by wallet software should be considered sufficient to treat the wallet provider as providing facilitative services? See Part I.B of this Explanation of Provisions.
11. What other factors should be considered relevant to determining whether a person maintains sufficient control or influence over provided facilitative services to be considered being in a position to know either the identity of the party that makes a sale or the nature of the transaction potentially giving rise to gross proceeds from a sale? See Part I.B of this Explanation of Provisions.
12. Under what circumstances should an operator of a digital asset trading platform be considered to maintain or not to maintain sufficient control or influence over the facilitative services offered by that platform? Should, and if so how should, the ability of users of the platform, shareholders or holders of governance tokens to vote on aspects of the platform’s operation be considered? How are these decentralized organizational and governance structures similar to or different from other existing organizational or governance structures (e.g., shareholder votes, mutual organizations)? Should this conclusion be impacted by the existence of full or even partial-access administration keys or the ability of the operator to

replace the existing protocol with a new or modified protocol if that replacement does not require holding a vote of governance token holders or complying with these voting restrictions? See Part I.B of this Explanation of Provisions.

13. To what extent should holders of governance tokens be treated as operating a digital asset trading platform business as an unincorporated group or organization? Please provide examples of fact patterns involving governance tokens and explain any differences in those fact patterns relevant to assessing the degree of control or influence exercisable by holders of those tokens. See Part I.B.1 of this Explanation of Provisions.
14. Are there alternative information reporting approaches that could be used by digital asset payment processors effecting payments to merchants on behalf of customers in transactions where the payment processor is an agent of a merchant that would satisfy tax compliance objectives while reducing privacy concerns? See Part I.B.3 of this Explanation of Provisions.
15. What is the frequency with which creators or issuers of digital assets redeem digital assets? See Part I.B.4 of this Explanation of Provisions.
16. Should the broker reporting regulations apply to initial coin offerings, simple agreements for future tokens, and similar contracts? See Part I.B.4 of this Explanation of Provisions.
17. Are the types of consideration for which digital assets may be exchanged in a sale transaction sufficiently broad to capture current and anticipated transactions in which taxpayers regularly dispose of digital assets for consideration? See Part I.C of this Explanation of Provisions.
18. Are there any logistical concerns about the reporting on contracts involving the delivery of digital assets created by these proposed regulations? See Part I.C of this Explanation of Provisions.
19. What is the frequency with which forward contracts involving digital assets are traded in practice? Are there any additional issues that should be considered to enable brokers to report on these transactions? See Part I.C of this Explanation of Provisions.
20. Should the definition of sale or other parts of these proposed regulations be revised to address transactions not addressed in these proposed regulations, such as the transfer of digital assets to and from a liquidity pool by a liquidity pool provider, or the wrapping and unwrapping of digital assets? See Part I.C of this Explanation of Provisions.
21. Are there other less burdensome alternatives to reporting transaction ID information and digital asset addresses with respect to digital asset sales and certain digital asset transfer-in transactions that would still ensure the IRS receives the information necessary to determine taxpayers' gains and losses? See Part I.D of this Explanation of Provisions.

22. Should an annual digital asset sale threshold, above which the broker would report transaction ID information and digital asset addresses, be used? If so, what should that threshold be? See Part I.D of this Explanation of Provisions.
23. Should the time reported using UTC time be reported using a 12-hour clock (designating a.m. or p.m. as appropriate) or a 24-hour clock? To what extent should all brokers be required to use the same 12-hour or 24- hour clock for these purposes? See Part I.D of this Explanation of Provisions.
24. Is a uniform time standard overly burdensome, and are there circumstances under which more flexibility should be provided? See Part I.D of this Explanation of Provisions.
25. Are there alternatives to basing the transaction date on the UTC for customers who are present in different time zones known to the broker at the time of the transaction? See Part I.D of this Explanation of Provisions.
26. Should the fair market value of services giving rise to digital asset transaction costs (including the services of any broker or validator involved in executing or validating the transfer) be determined by looking to the fair market value of the digital assets used to pay for the transaction costs? Are there circumstances under which an alternative valuation rule would be more appropriate? See Part I.E.2 of this Explanation of Provisions.
27. Are there any suggestions that could work to avoid duplicative multiple broker reporting for sale transactions involving digital asset brokers without sacrificing the certainty that at least one of the multiple brokers will report? See Part I.H of this Explanation of Provisions.
28. Is there an alternative approach that could be objectively applied to differentiate between a U.S. digital asset broker's U.S. business and non-U.S. business for purposes of allowing different documentation to be used for the broker's non-U.S. business, and how could this alternative approach avoid being readily subject to manipulation? See Part I.I.1 of this Explanation of Provisions.
29. Are the U.S. indicia listed in proposed §1.6045-1(g)(4)(iv)(B)(1) through (5) appropriate and sufficient? See Part I.I.3 of this Explanation of Provisions.
30. Should the regulations define when a broker has reason to know that a digital asset broker is organized within the United States, and are there suggestions for objective indicators that a digital asset broker is organized in the United States? See Part I.I.3 of this Explanation of Provisions.
31. Are there administrable rules that would allow CFC and non-U.S. digital asset brokers conducting activities as MSBs to apply different rules to their U.S. and non-U.S. business activities while still ensuring that they are reporting on transactions of their U.S. customers? See Part I.I.4 of this Explanation of Provisions.

32. Should different diligence and documentation rules apply to CFC and non-U.S. digital asset brokers conducting activities as MSBs with respect to the non-U.S. part of their business, and if so, on what basis should a determination be made as to when these different diligence and documentation rules would apply? See Part I.I.4 of this Explanation of Provisions.
33. What U.S. regulatory schemes applicable to a CFC digital asset broker or a non-U.S. digital asset broker other than registration with FinCEN should be sufficient to cause such a digital asset broker to be subject to the same diligence, documentation and reporting rules as a digital asset broker conducting activities as an MSB? How can such digital asset brokers be identified by the IRS? Please also address questions 31 and 32 relating to digital asset brokers conducting activities as an MSB.
34. Would a rule requiring brokers to obtain documentation on account holders or partners, beneficiaries, or owners (as applicable) of customers that are foreign intermediaries or foreign flow-through entities increase transparency sufficiently to justify the increased burden on brokers? Is that trade-off different for digital asset-only brokers, securities-only brokers, or brokers that effect sales or exchanges in both categories? How frequently and in what circumstances do securities brokers rely on the existing section 6045 regulations to not document account holders or partners, beneficiaries, or owners (as applicable) of customers that are foreign intermediaries or foreign flow-through entities? See Part I.I.5.g of this Explanation of Provisions.
35. Would a coordination provision for brokers that effect transactions involving both non-digital asset securities and digital assets be helpful to brokers, and if so, which proposed rules applicable to digital asset brokers should apply to non-digital asset securities brokers? See Part I.I.6 of this Explanation of Provisions.
36. Are there additional broker-facilitated transactions involving digital assets that would still be subject to reporting under the barter exchange rules after the applicability date of these proposed regulations? For example, are there broker-mediated transactions that are not reportable payment transactions under §1.6050W-1(a)(1) with respect to the client that receives the digital assets as payment? See Part I.J of this Explanation of Provisions.
37. Is it appropriate to treat stablecoins, or a subset of stablecoins, as digital assets for purposes of these regulations? What characteristics should be considered when assessing whether stablecoins, or a subset of stablecoins, should be treated as digital assets under these regulations? See Part I.K of this Explanation of Provisions.
38. Should the regulations exclude reporting on transactions involving the disposition of U.S. dollar related stablecoins that give rise to no gain or loss, and if so, how should those stablecoin transactions be identified? See Part I.K of this Explanation of Provisions.

39. Should any other changes be made to the regulations or other rules to ensure adequate reporting of transactions involving the receipt or disposition of stablecoins? See Part I.K of this Explanation of Provisions.
40. In the case of cascading digital asset transaction costs (that is, a digital asset transaction cost paid with respect to the use of a digital asset to pay for a digital asset transaction cost), should all such costs be treated as digital asset transaction costs associated with the original transaction? See Part II.A of this Explanation of Provisions.
41. Is the allocation of one-half of total digital asset transaction costs paid to the disposition of digital assets for purposes of determining the amount realized and the allocation of the other half to the acquisition of the received digital assets for purposes of determining basis administrable? See Part II.A of this Explanation of Provisions.
42. Would a 100 percent allocation of digital asset transaction costs to the disposed-of digital asset in an exchange of one digital asset for a different digital asset be less burdensome? See Part II.A of this Explanation of Provisions.
43. Are there methods or functionalities that unhosted wallets can provide to assist taxpayers with the tracking of purchase dates, times, and/ or basis of specific units of a digital asset upon the transfer of some or all of those units between custodial brokers and unhosted wallets? See Part II.C of this Explanation of Provisions.
44. Should the ordering rules for unhosted wallets be applied on a wallet- by-wallet basis as proposed, or should these rules be applied on a digital asset address-by-digital asset address basis or some other basis? See Part II.C of this Explanation of Provisions.
45. Are there any alternatives to requiring that the ordering rules for digital assets left in the custody of a broker be followed on an account-by- account basis; for example, if brokers have systems that can otherwise account for their customers' transactions? See Part II.C of this Explanation of Provisions.
46. Should exceptions be made to the ordering rule for digital assets left in the custody of a broker to allow brokers to take into account reasonably reliable purchase date information received from outside sources? If so, what types of purchase date information should be considered reasonably reliable? See Part II.C of this Explanation of Provisions.
47. Should the current rules under section 6045A applicable to transfers of securities from one broker to another remain applicable for securities that are also digital assets prior to the implementation of a later phase of the information reporting guidance? See Part IV of this Explanation of Provisions.
48. Who would be the responsible party required to provide the reporting if section 6045B is made applicable to securities that are also digital assets prior to the implementation of this later phase of information reporting guidance? See Part IV of this Explanation of Provisions.

49. Should any changes be made to the backup withholding rules under existing §31.3406(b)(3)–2(b)(3) or (4) to address digital assets that may also be treated as securities for Federal income tax purposes or to address short sales of digital assets? Are any additional rules needed to address how backup withholding should apply to transactions involving digital assets? See Part VI of this Explanation of Provisions.

B. Additional Questions

Comments are also requested on any other aspect of these proposed regulations not specifically discussed in these proposed regulations, including on the following questions:

1. Are there any suggestions for what the IRS should consider in planning for the receipt, storage, retrieval, and usage of the information required to be reported under these proposed regulations?
2. These proposed regulations anticipate that reporting brokers may voluntarily engage with acquiring brokers to obtain basis information with respect to transactions in which the reporting broker does not already have adjusted basis information. What would encourage reporting brokers to voluntarily obtain and provide this information?