

Digital Asset Reporting

Cross References

- Public Law 119-5, April 10, 2025

Signed into law on April 10, 2025, the law repeals the IRS regulation that would have required brokers to report gross proceeds from digital asset sales.

IRS regulations would have required brokers to file Form 1099-DA, *Digital Asset Proceeds From Broker Transactions*, with the IRS and issue a copy to taxpayers who engage in digital asset transactions. Critics of the IRS regulation claimed it would be burdensome for industry innovation. Industry experts, on the other hand, claim at least half of the country's digital asset transactions go unreported.

Author's Comment

According to the most recent IRS tax gap projection report, misreporting of income amounts subject to substantial information reporting and withholding is 1% of income. For amounts subject to substantial information reporting but not withholding, it is 6%. For income amounts subject to little or no information reporting, such as nonfarm sole proprietor income, it is 55%. Tax gap analyses have consistently shown each year that compliance is higher when amounts are subject to third-party information reporting. [IRS Publication 5869 (Rev. 10-2024)]