

## Digital Asset Reporting

### Cross References

- IRC §6045
- Public Law 119-5
- Notice 2025-33

IRC Section 6045(a) provides that every person doing business as a broker must file a return with the IRS showing the name and address of each customer, with details regarding gross proceeds and other information as required by IRS regulations. On July 9, 2024, the IRS published Treasury Decision 10000 in the Federal Register (89 FR 56480) (final regulations) to require brokers to file information returns on Form 1099-DA, *Digital Asset Proceeds From Broker Transactions*, and furnish payee statements reporting gross proceeds for sales of digital assets on or after January 1, 2025 and, in certain circumstances, adjusted basis on sales of digital assets on or after January 1, 2026.

On December 30, 2024, the IRS published proposed rules on digital asset reporting that would apply to decentralized finance (DeFi) brokers that operate almost entirely on blockchain infrastructure and do not provide traditional on or off ramps from fiat currency to digital assets. These entities would have also been required to file Form 1099-DA with the IRS.

On April 10, 2025, the President signed into law Public Law 119-5 that nullified the digital asset reporting obligations imposed on decentralized finance (DeFi) brokers. Critics of the proposed rules 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

Estimates indicate that decentralized exchanges (DEXs), often associated with DeFi brokers, represent around 10–15% of total cryptocurrency spot trading volume as of early to mid-2025. While this may seem a small percentage compared to centralized exchanges (CEXs), it represents significant growth from previous years. For example, in 2022, DEXs accounted for only 3–5% of the market share by volume.

IRC Section 6045(a), however, is still applicable for brokers using centralized exchanges that hold digital assets for their customers and offer customers the ability to move from fiat currency to digital assets.

The IRS recently issued Notice 2025-33 which provides transitional relief from penalties with respect to certain information reporting obligations under IRC section 6045. The notice also provides transitional relief from the liability for the payment of backup withholding tax under IRC section 3406 as well as from penalties for brokers who fail to

pay that tax with respect to certain sales of digital assets required to be reported under IRC section 6045. The notice also provides additional transitional relief from penalties to brokers with respect to sales of digital assets for certain foreign customers that have not been previously classified by the broker as U.S. persons.

In general, the notice provides that backup withholding is not required for any digital asset sales during tax year 2025 and 2026.

The notice also permits brokers to rely on uncertified TINs of payees that are preexisting customers if the broker, prior to effecting the digital asset sale transaction submits the payee's name and TIN combination to the IRS TIN Matching Program and receives a response that the submitted name and TIN combination matches the name and TIN combination for that payee in IRS records.

See Notice 2025-33 for more information.