



July 1, 2024

Mr. Andrés Garcia
Internal Revenue Service, Room 6526
1111 Constitution Ave, NW
Washington, DC 20224

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

Dear Mr. Garcia:

The American Institute of CPAs (AICPA) is pleased to submit comments to the Department of the Treasury (“Treasury”) and the Internal Revenue Service (IRS) on [Draft Form 1099-DA, Digital Asset Proceeds From Broker Transactions](#), as requested by [Federal Register](#) entry of April 22, 2024 and the [draft form process](#). Our comments are focused on matters relating to digital assets.¹

After review of the Draft Form 1099-DA, we find the form confusing for recipients and requests unnecessary information to prepare a related income tax return. Our overall recommendation is to simplify the form in an understandable manner to taxpayers and to reduce the information requested to necessary information. Along with this overarching theme, we have outlined specific recommendations below.

BACKGROUND

Draft Form 1099-DA, released April 18 2024, is proposed to be used by brokers to report sales, exchanges or dispositions of digital assets in accordance with [proposed regulations](#) (REG-122793-19). The IRS and Treasury have requested comments on Draft Form 1099-DA, concerning the sale, exchange or disposition of digital assets.”²

RECOMMENDATIONS

The AICPA recommends that the IRS and Treasury:

1. Include reminders, examples and cautions in the instructions for recipients to help them properly use the Forms 1099-DA they receive. Additionally, the IRS should provide clear instructions as to how to reconcile hundreds of transactions. Furthermore, in the event that an individual’s records do not reconcile with the Forms 1099-DA, provide guidance as to

¹ See AICPA comment letter: “[Additional Comments on the Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions Section 6045 Proposed Regulations \(REG-122793-19\)](#),” March 4, 2024; “[Comments on the Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions Proposed Regulations \(REG-122793-19\)](#),” November 8, 2023.

² [89 Fed. Reg. 29433](#) (April 22, 2024).

how the individual can account for the difference, for proper reporting on the income tax return.

2. Clarify when it is appropriate to aggregate multiple digital asset addresses and number of units in boxes 11b & 11c.
3. Consider providing the option to mask the information reported in boxes 11a, 11b, 12a, and 12b.
4. Clarify where the agreed upon code in Box 1a for digital assets can be referenced.
5. Clarify what an acceptable explanation can be if no recipient taxpayer identification number (TIN) is provided.
6. Remove the box asking for the Committee on Uniform Securities Identification Procedures (CUSIP) number and Box 1i on wash sales loss disallowed.
7. Remove or clarify Box 6 for reporting of the gross gain or loss as short-term, long-term or ordinary.

ANALYSIS

1. The instructions for recipients should include reminders, examples and cautions so that the Forms 1099-DA are properly used. Recipients should be reminded to reconcile the Forms 1099-DA against their own records of digital asset transactions. Not all transactions will have a Form 1099-DA even if a broker was involved. Furthermore, some forms will not include basis or may contain the wrong basis.³ This Form also presumes that the taxpayer engages in an infrequent, small number, of transactions. For individuals with hundreds of transactions, reconciliation or aggregation may be impossible.
2. Boxes 11b & 11c suggest that information from the sale or exchange of digital assets can be aggregated into one Form 1099-DA by offering the option to complete multiple lines of information. Instructions to box 11c also state, “shows the number of digital asset units transferred out of each origination digital asset address reported in box 11b.” Clarification is needed as to when it is appropriate to list multiple digital asset addresses and number of units in boxes 11b & 11c. For example, a taxpayer could use the same unhosted wallet provider for their wallets A & B and the taxpayer could exchange ETH in wallet A for USDC. At a later date, during the same tax year the taxpayer could exchange ETH in wallet B for USDC. It is unclear if these transactions should be aggregated into one Form 1099-DA and listed separately in boxes 11b & 11c.
3. The IRS instruction for Form 1099 allow brokers to mask the recipient TIN on all copies except for the Federal and State Copy. Due to the inherent nature of public blockchains, exposing the information in boxes 11a, 11b, 12a, & 12b could create identify theft risks. Consider allowing this information to be masked in a similar manner to the taxpayer TIN.

³ For example, many taxpayers used the “universal approach” allowed per the virtual currency FAQs while Prop. Reg. 1.1012-1(j) requires basis tracking on a wallet by wallet (or account by account) method. See “[Comments on the Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions Proposed Regulations \(REG-122793-19\)](#),” November 8, 2023.

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4. Box 1a requests the code for the digital asset for which the amounts are being reported. To our knowledge, the IRS has not published an agreed upon list of codes that can be used to populate this box. In addition, new digital assets are created on a regular basis. If the IRS does intend on publishing an agreed upon list of codes, the IRS should have a plan to keep this list updated and reviewed for accuracy. Non-Fungible Tokens (NFTs) may also pose an issue because they are each unique and are not fungible.
5. There is a box on the Draft Form 1099-DA for “Explanation if no recipient TIN.” To our knowledge, this is the first time this information has been requested and the instructions do not make any reference to this box. In general, backup withholding is required when a broker does not have a valid Form W-9, therefore, the IRS does not need an explanation if there is no recipient TIN. In addition, since this is a new box on a Form 1099, an example of an acceptable explanation should be provided by the IRS for this new box and reporting requirement.
6. The boxes for the CUSIP number and Box 1i on disallowed wash sale loss should be removed. These items pertain to securities and not to digital assets. Form 1099-DA instructions for recipients states that the wash sale box is for digital assets that are also securities, however, Treasury and the IRS have not issued any guidance on when a digital asset is treated as a security for purposes of IRC section 1091. Until guidance is provided, Box 1i will create unnecessary confusion for issuers, recipients and tax professionals. Similarly, until guidance is issued as to when any digital asset should have a CUSIP number, the box will create confusion.
7. Issuers may not be able to complete Box 6 on designation of the gross gain or loss as short-term, long-term, or ordinary as they may not have the information or may have incorrect information (e.g. they may not know of earlier transfers between wallets of the recipient). This box should be removed, or an option should be added for unknown. The instructions should reflect that regardless of the box checked, the recipient should confirm with their own records.

As considerations are made for Draft Form 1099-DA, we urge the IRS to determine what information is needed from taxpayer and to simplify the questions. Forms that are simple and clear to understand lead to increased compliance.

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We appreciate your consideration of these comments and welcome the opportunity to discuss these issues further. If you have any questions, please contact Annette Nellen, Chair, AICPA Digital Assets Tax Task Force, at (408) 924-3508 or Annette.Nellen@sjsu.edu; Melanie

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Lauridsen, AICPA VP – Tax Policy & Advocacy, at (202) 434-92735 or Melanie.Lauridsen@aicpa-cima.com; or me at (830) 372-9692 or bvickers@alamo-group.com.

Sincerely,



Blake Vickers, CPA, CGMA

Chair, AICPA Tax Executive Committee

cc: Ms. Julie A. Foerster, Project Director for Digital Assets, IRS

Mr. Christopher Wrobel, Special Counsel to the Associate Chief Counsel, Income Tax & Accounting, IRS

Mr. Mark C. Hansmeier, Guidance Lead, Digital Asset Initiative, IRS

Ms. Pamela Lew, Senior Counsel, Office of Associate Chief Counsel (Financial Institutions and Products), IRS

Mr. Sulolit "Raj" Mukherjee, Executive Advisor, Digital Asset Initiative, IRS

Mr. Seth Wilks, Executive Advisor, Digital Asset Initiative, IRS