



Coinbase Global, Inc.  
248 3rd St, #434  
Oakland, CA 94607

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[www.reginfo.gov/public/do/PRAMain](https://www.reginfo.gov/public/do/PRAMain)

OMB Number Control No.: 1545-NEW

ICR Reference Number: 202404-1545-010

Submitted Electronically

**Re: IRS Form 1099-DA**

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Ladies and Gentlemen:

Coinbase Global, Inc. and its affiliates (“Coinbase”) welcome the opportunity to submit comments to the recently published draft Form and Instructions 1099-DA Digital Asset Proceeds From Broker Transactions (“Form 1099-DA”). Coinbase operates the nation's largest and most trusted platform for customers to buy, sell, hold, and manage digital assets. We are dedicated to working openly and constructively with tax authorities and regulators in the United States and globally to promote compliance with applicable regulatory and tax laws.

Coinbase previously submitted two comment letters<sup>1</sup> in response to the proposed regulations (the “Proposed Regulations”) on gross proceeds and basis reporting for digital asset transactions, as prescribed by changes made to Section 6045 of the Code in the Infrastructure Investment and Jobs Act of 2021 (the “IIJA”).<sup>2</sup> In those letters, we expressed our serious concerns about the nature and scope of the Proposed Regulations and provided detailed observations, technical comments, and recommendations on the proposals. Coinbase also submitted a comment letter on the

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<sup>1</sup> See, Coinbase Global Inc., Broker Reporting Comment Letter (“Comment Letter 1”), IRS-2023-0041-0199, posted October 12, 2023 (available at <https://www.regulations.gov/comment/IRS-2023-0041-0199>) and Coinbase Global Inc., Comment Letter (“Comment Letter 2”), IRS-2023-0041-42332, posted November 12, 2023 (available at <https://www.regulations.gov/comment/IRS-2023-0041-42332>).

<sup>2</sup> All “section” or “§” references are to the U.S. Internal Revenue Code of 1986 (the “Code”), as amended, and all “Treas. Reg. §” references are to the Treasury regulations promulgated thereunder. References to the “IRS” are to the U.S. Internal Revenue Service.



2025 Draft Form 1099-DA (April 18, 2024),<sup>3</sup> where we reiterated our concerns and expanded on the burden analysis related to Form 1099-DA.

We thank the IRS for considering many of our prior comments and making changes to the Draft Form 1099-DA. However, we still have concerns about the economic and environmental impact of not offering electronic recipient statements and requiring low or zero value tax information that does not assist taxpayer compliance in completing their tax returns. We also provide some minor comments about boxes on the form that should be made optional before the 2026 tax year.

### **Executive Summary**

We make the following observations in our commentary on the Form 1099-DA and Instructions to Form 1099-DA:

1. Digital asset brokers should be allowed to electronically deliver recipient copies of Form 1099-DA by default without positive consent from the taxpayer.
2. Form 1099-DA requires data elements from brokers that do not serve a meaningful purpose for tax compliance and therefore should be eliminated.
3. Certain additional boxes should be optional for 2025 reporting.
4. Digital Asset Brokers will need eighteen months after the final Form 1099-DA and instructions are issued to comply with their reporting obligations, which at this time will require deferring implementation to January 1, 2026.

### **Comments**

1. **Digital Asset brokers should be allowed to default delivery of recipient copies of 1099-DA to electronic delivery, even without positive consent from the taxpayer.**

Coinbase made the following recommendation in its letter commenting on the Draft Form 1099-DA. We are making the recommendation again because of its importance to the digital asset industry, its impact on the burden of complying with the final regulations, and the environmental impact of delivering billions of paper Forms 1099-DA.

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<sup>3</sup> NTF1099-DA IRS Form 1099-DA, "Digital Asset Proceeds From Broker Transactions" submitted via email to pra.comments@irs.gov on June 21, 2024.



The Final Regulations do not address how a recipient statement must be delivered to the recipient. Brokers are left to assume that the current Section 6045 regulations, which require brokers to mail recipient statements to the last known address of the broker, will apply to Form 1099-DA. Public Law 107–147 authorized issuers of Forms 1099 to follow the "normal" procedures in Publication 1179, Section 4.6 for electronic delivery of recipient statements when the broker first obtains consent from its customers to do so. Requiring digital asset brokers to develop an affirmative consent system for opting into electronic Forms 1099 is inconsistent with their business models, where all transactions are conducted electronically and unmanageable given the large number (over eight billion forms by IRS estimates) of Forms 1099-DA that are expected. Generally, digital asset brokers do not send physical mail to their clients. They communicate with their clients electronically.

Coinbase recommends that brokers who facilitate trades of digital assets through electronic means, such as a smartphone, tablet, computer, or similar technology, be permitted to furnish written statements to a recipient electronically without requiring the recipient to first consent to receive such statements electronically. Taxpayers have demonstrated they have the means to access statements electronically because they conduct all their transactions electronically. Publication 1179 also should be updated to reflect that consent is unnecessary for Form 1099-DA. The current burden estimates do not factor in the high cost and environmental impact of printing and mailing up to eight billion Forms 1099-DA to recipients.

For example, using the Form 1099-B pricing estimates as an equivalent to the expected Form 1099-DA, the following are potential pricing structures from our current service provider for tax reporting:

- Current postage fees for first class mail is \$0.69 per envelope
- Using 10 million Forms 1099-DA as an example, the price to perform just mailing would be \$6.9 million. This is excluding any bulk mailing that may need to be performed due to multiple pages of transactions within 1 Form 1099-DA and weight exceeds first class mail postage.
- Again, using 10 million Forms 1099-DA as the estimate, there is an additional cost to print, sort, process, and insert the statements. The price per unit would be approximately \$.15 (or \$1.5 million)
- Total potential cost to simply perform the print and mail would be \$8.4 million for 10 million forms.

This example is only for 10 million forms. Coinbase anticipates 1 billion transactions to be reported for tax year 2025 alone. The cost of printing and mailing is excessive and overly burdensome to digital asset providers who are part of a nascent industry.

In addition, the excessive use of paper to print each Form 1099-DA is environmentally destructive. In this instance, allowing electronic Forms 1099-DA to be issued without



requiring the recipient to first consent to receive such statements electronically, would be environmentally responsible and comport with the policy imperative for taxpayers to be mindful of the environment.

## **2. Form 1099-DA requires data elements from brokers that do not serve a meaningful purpose for compliance by brokers.**

The draft Form 1099-DA goes beyond the parameters of the Final Regulations and corresponding commentary by requesting information not initially prescribed in the Final Regulations. This includes the following examples:

- Form 1099-DA Uniquely and Arbitrarily Requires Brokers to Report the Reason that a Digital Asset is a Noncovered Security Under Section 6045

Form 1099-B and draft Form 1099-DA require brokers to check a box indicating whether a lot is covered or noncovered under Section 6045. However, the draft Form 1099-DA additionally requires brokers to check a box indicating the reason the lot is noncovered.<sup>4</sup> Traditional cost-based systems are programmed to identify lots as covered and noncovered, but are not designed to track the reason for this. The draft form only contemplates three reasons lots may be considered noncovered: (a) the lot was purchased before 2023, (b) the broker did not provide hosted wallet services, or (c) the lot was transferred to the broker before disposition. But other reasons may, and often do, exist. For instance, lots may be noncovered because of the absence of an issuer statement or for other unknown reasons. Adding this data point is nontrivial and will meaningfully increase the cost of compliance for digital asset brokers. It imposes an additional cost without respecting parity in reporting between traditional financial services and digital asset transactions. We recommend removing this requirement from the form.

- Form 1099 DA requires brokers to check Box 8 if the Broker Relied on Customer-Provided Acquisition Information.

The IRS is requiring brokers to check a box if customer-provided information was relied on to identify which digital assets were sold, exchanged, or otherwise disposed of. This information is not required, however, from brokers issuing Forms 1099-B and does not assist taxpayers in completing their tax returns. Cost basis systems do not currently tag disposed lots in this manner. We recommended eliminating the box as complying with this requirement significantly increases the burden on brokers issuing the form and provides no meaningful assistance to taxpayers in preparing their returns.

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<sup>4</sup> Coinbase reiterates its position stated in Comment Letter 2 that not all digital asset transactions are transactions reportable on Form 1099-DA under Section 6045. Comment Letter 2 at 18. Further, for the avoidance of doubt, many digital asset transactions that are reportable on Form 1099-DA by operation of Section 6045((g)(3)(B)(iv) are not securities transactions and therefore are outside the context of Section 6045's reporting obligations.



- Form 1099-DA requires brokers to provide the dates assets were transferred if the lots being sold were first transferred into a custodial wallet.

The IRS requires brokers to provide the date lots were transferred into a custodial account. It is unclear whether a separate form must be completed if the disposed lots were transferred in on multiple dates or if brokers can leave the box blank as they do with Box 1 if the digital assets were acquired on various dates. If brokers are required to issue a separate form for lots transferred on individual dates,, the number of forms issued per transaction would increase, potentially exponentially, thereby increasing costs, and adversely impacting the environment without any attendant benefit to compliance.

For tax year 2025, Coinbase is expecting to issue nearly 1 billion Forms 1099-DA. For tax year 2026, Coinbase may need to divide the transaction level reporting into four additional forms based on the lots that comprise each transaction:

1. Covered lots with a short-term holding period
2. Covered lots with a long-term holding period
3. Covered lots with an ordinary holding period
4. Noncovered lots

By requiring brokers to provide the acquisition date for noncovered lots transferred into custodial wallets, Coinbase expects the number of forms issued per transaction to be a minimum of six and possibly more because the disposed lots may have been transferred on different dates. This places a disproportionate economic burden on the digital asset industry and also exponentially increases the number of forms digital asset brokers will need to submit. The IRS should eliminate this box or allow brokers to leave the box blank if the transferred lots were acquired on separate dates.

### **3. Additional boxes should be optional for 2025 reporting.**

The 2025 Instructions for Form 1099-DA identifies boxes not required to be completed if not applicable, such as CUSIP and boxes 3b, 4, 5, 7, 8, 9,14, 15, and 16. The Final Regulations do not require brokers to report cost basis before 2026. Coinbase believes two other boxes should be optional for 2025:

- The applicable checkbox on Form 8949 should not be required before 2026.  
The Draft 2025 Instructions for Form 1099-DA state that for sales effected in 2025, brokers must complete all unnumbered boxes on Form 1099-DA except



the CUSIP (Committee on Uniform Security Identification Procedures) number box, which may be left blank if there is no applicable number. The final regulations require brokers to report the adjusted basis of digital assets only if they were acquired on or after January 1, 2026.<sup>5</sup> Brokers who do not have cost basis systems in place before this date will not be able to provide recipients of the Form 1099-DA with a code that will assist them in reporting the transaction on Form 8949, Sales and Other Dispositions of Capital Assets. Coinbase recommends leaving this box as optional for transactions that occur before 2026.

- Box 1a Code for digital assets should not be required before 2026.

The instructions request brokers to enter a nine-alphanumeric-character digital token identification issued by the Digital Token Identification Foundation (DTIF). While we recognize the benefits of utilizing a uniform identifier for digital assets, U.S. Digital Asset brokers do not currently use the identifiers created by this U.K.-based foundation. Unlike CUSIP numbers which have been in use by traditional securities brokers since 1968, the nine digital asset token identifier is an unfamiliar mix of letters and numbers that bear no resemblance to digital asset token names and short identifiers currently in use in digital asset trading systems. Their use will cause taxpayer confusion and will drive unnecessary inquiries to both the digital asset broker and IRS customer service centers. We recommend that the IRS delay the requirement to report the identifier to no earlier than the second year of reporting to provide digital asset brokers with the time necessary to integrate these numbers into their systems and to educate their users on their use.

#### **4. Digital Asset Brokers will require eighteen months after the final Form 1099-DA and instructions are issued to implement reporting.**

As we have long said, and consistent with statements by most objective participants in the financial reporting industry, digital asset brokers will need a minimum of 18 months after the finalization of the regulations and release of the final Form 1099-DA and instructions to build systems capable of accurately reporting gross proceeds and cost basis information. As discussed in Comment Letter 2, even a platform like Coinbase that has invested significant resources in tax compliance will need substantial time to develop the necessary resources to comply with the final regulations and the new Form 1099-DA. This timeframe is required due to the novelty and magnitude of the undertaking and because, as discussed above, new data elements may be introduced that the industry had not anticipated, which would require significant code and procedural changes, as well as quality assurance testing. Given we are now well into the fourth quarter of 2024, we will have a little over 12 months to implement systems to comply with the new

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<sup>5</sup> *Id.*



reporting requirements and that is simply impractical as a timeline for implementation. (We would remind the IRS that the traditional financial services industry similarly required more than 12 months to comply with the reporting regime of Form 1099-B.) In short, the digital asset industry needs more time to develop the infrastructure necessary to comply with Form 1099-DA reporting.

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We greatly appreciate your consideration of our comments, and we would be happy to discuss these and other tax policy issues or technological questions with you at your convenience. We view our mission to include proactive engagement on tax policy initiatives worldwide. We look forward to hearing back from you and helping you develop constructive tax rules for the digital asset ecosystem.

Very truly yours,

A handwritten signature in blue ink, appearing to read "LZlatkin", with a long horizontal stroke extending to the right.

Lawrence Zlatkin  
Vice President, Tax  
Coinbase Global, Inc.