



Coinbase Global, Inc.
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Christopher Wrobel, Esq.
Special Counsel to the Associate Chief Counsel
Internal Revenue Service
1111 Constitution Ave NW
Washington, DC 20224

Submitted via email and regular mail

Re: Final Regulations on Adequate Identification of Units Held in the Custody of a Broker

Dear Mr. Wrobel:

Coinbase Global, Inc. and its affiliates (“Coinbase”) welcome the opportunity to submit comments to the final Treasury regulations for Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions published on July 9, 2024. 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.

We thank and applaud the Treasury and IRS for considering and accepting the feedback the digital asset industry provided to move the effective date from January 1, 2023 (which was proposed) to January 1, 2026 for brokers to begin tracking cost basis for digital assets. This change in effective date provides brokers much-needed time to develop and build the infrastructure necessary to capture and perform cost-based calculations for a significant number of transactions.

We are writing to ask the Treasury and IRS to consider making a similar change or provide clarification regarding how taxpayers should make an adequate identification of units held in the custody of a broker. The final regulations provide that a taxpayer must treat the units disposed of as the earliest acquired units of that digital asset held in the custody of the broker unless the taxpayer provides their digital asset broker with adequate identification of the units. To make an adequate identification of units held in the custody of a broker, the taxpayer must specify to the broker no later than the date and time of the sale the particular units they are selling.¹ This rule will apply to all acquisitions and dispositions of digital assets on or after January 1, 2025.²

¹ Treas. Reg. §1.1012-1(j)(3)(ii).

² Treas. Reg. §1.1012-1(j)(6).



Although the regulation clarifies what taxpayers need to do by January 1, 2025,³ the regulation does not appear to consider whether or how digital asset brokers will be able to accommodate specific identification instructions. More specifically, digital asset brokers currently do not have the infrastructure to accept specific identification instructions from their users and have until January 1, 2026 to begin cost basis tracking for their customers. Consequently, under a literal reading of the current regulation, taxpayers by default will have no option but to calculate gains and losses based on the earliest lots they acquired, which could result in a significantly larger tax liability than would be necessary. We believe this is contrary to the intent of the regulations.

We understand that the final regulations do not require brokers to accept specific identification instructions from taxpayers. We believe, however, that being able to accept such instructions would be helpful for taxpayers, but more importantly, beneficial for the collective industry.

Coinbase recommends that Treasury and the IRS consider changing the effective date of the adequate identification rule to no earlier than January 1, 2026. Doing so will provide digital asset brokers with time to develop and build the systems required to accept identification instructions from customers. In effect, this change will provide consistency in the taxpayer requirement to specifically identify their lots with their brokers and the broker requirement to begin cost basis tracking for their customers, all as of January 1, 2026. Alternatively, if changing the effective date is unfeasible, Coinbase recommends that Treasury and the IRS issue transitional relief guidance that considers allowing taxpayers to maintain their own books and records for an additional year for purposes of calculating gain or loss on their digital assets, without a requirement to provide instructions to their digital asset brokers during 2025.

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.

Very truly yours,

Lawrence Zlatkin

Vice President, Tax

Coinbase Global, Inc.

cc:

Roseann Cutrone, Special Counsel, Office of the Chief Counsel

Adrienne Griffin, Branch Chief, Office of the Chief Counsel

Seth Wilks, Executive Director, Office of Digital Assets

Sulolit 'Raj' Mukherjee, Executive Director, Office of Digital Assets

³ See Rev. Prov. 2024-28.