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Tax Insights
from Financial Services

Ways and Means Committee debates digital asset tax package

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In brief

What happened?

The House Ways and Means Committee held a June 9 legislative hearing on digital asset taxation, one day after Ways and Means Republicans introduced a package of digital asset tax bills. The package addresses de minimis network fees, stablecoin transactions, simplified accounting, mining and staking rewards, digital asset lending, trader and dealer mark-to-market rules, charitable contributions, voluntary disclosure, wash sale and constructive sale anti-abuse rules, and sourcing rules for certain digital asset gains.

Why is it relevant?

The package would move digital asset tax rules from IRS guidance and general property principles toward more asset-specific Code rules. Several provisions would align digital assets with existing regimes for securities, commodities, or cash-like instruments, including lending under Section 1058, mark-to-market elections under Section 475, wash sale rules under Section 1091, constructive sale rules under Section 1259, and trading safe harbors under Section 864.

The hearing reflected bipartisan interest in digital asset tax clarity but also disagreement over whether some proposals would create preferential treatment for digital assets. The most significant policy tension concerns deferral for mining and staking rewards, which Republicans and industry witnesses framed as

tax clarity and competitiveness, while Ranking Member Richard Neal (D-MA) and other Democrats raised concerns about potential indefinite deferral. A proposed amendment responds directly to that concern by proposing a five-year termination rule for deferred mining and staking income.

Actions to consider

Taxpayers, platforms, fund sponsors, and other businesses with nexus to digital assets should model the package provision-by-provision rather than treating it as a single digital asset regime. Taxpayers should evaluate elections, broker-reporting changes, transition dates, and whether systems can identify 'widely traded digital assets,' 'qualified US dollar stablecoins,' 'newly minted digital assets,' and transactions subject to proposed wash sale or constructive sale rules.

In detail

June 9 hearing

At the June 9 House Ways and Means Committee hearing, Republican members framed the digital asset tax package as necessary to provide certainty, reduce compliance burdens, and prevent digital asset activity from moving offshore. Chairman Jason Smith (R-MO) emphasized that other jurisdictions have adopted clearer digital asset tax regimes and argued that Congress should act to preserve US leadership in digital assets. Democrats generally acknowledged that some provisions may be sensible but raised concerns that parts of the package could give digital assets more favorable treatment than other investments, particularly through potential deferral of income from mining and staking rewards.

Digital asset tax bills

House Ways and Means Republicans on June 8 introduced a package of digital asset tax bills addressing compliance relief, stablecoins, mining and staking, charitable contributions, digital asset lending, trader and dealer accounting, foreign trading, voluntary disclosure, anti-abuse rules, and sourcing of certain digital asset gains. The package would not create a single comprehensive digital asset tax regime, but it would move several recurring digital asset issues into more tailored statutory rules.

H.R. 9178 - Less Tax Paperwork for Digital Asset Owners Act

H.R. 9178 would create administrability rules for digital asset users, holders, and brokers. The bill focuses on four areas: de minimis network fees, simplified accounting for widely traded digital assets, qualified US dollar stablecoins, and related broker-reporting rules.

First, proposed Section 1044 would allow taxpayers to disregard gain or loss when a digital asset is disposed of to pay a network fee of $10 or less for validating another digital asset transaction. The rule generally would not be available to traders, brokers, dealers, certain validation-facilitation businesses,

substantially similar businesses identified by Treasury, or taxpayers with more than 5,000 digital asset transactions in the prior tax year, subject to an administrative convenience exception.

Second, the bill would allow taxpayers to elect simplified annual accounting for widely traded digital assets. Instead of tracking gain or loss on each disposition, an electing taxpayer would compute aggregate annual gain or loss by asset type using beginning value, acquisitions, dispositions, and ending value. Any resulting gain or loss would be treated as short-term capital gain or loss. The election generally would apply prospectively and could not be revoked during the first five tax years to which it applies.

Third, qualifying stablecoin acquisitions and dispositions generally would be measured by redemption value, subject to tolerance bands and exceptions. This rule would reduce the need to track small deviations from par value in routine qualified US dollar stablecoin transactions.

Finally, H.R. 9178 would conform broker-reporting rules to these changes by excluding certain qualified US dollar stablecoins from specified digital asset reporting, allowing aggregate reporting for de minimis validation-fee transactions, and modifying reporting for assets subject to the simplified accounting election.

Observation: The proposal is relevant for high-volume digital asset users, stablecoin users, custodial platforms, brokers, and taxpayers that struggle with lot-by-lot basis tracking. The simplified accounting election could reduce recordkeeping burdens, but taxpayers should model the effect of short-term capital gain or loss treatment and the five-year lock-in period. Brokers and platforms would need systems to identify qualified stablecoins, de minimis network fees, widely traded digital assets, and customer elections.

H.R. 9175 - Tax Clarity for Mining and Staking Act

H.R. 9175 would establish statutory rules for mining and staking rewards, including a current-inclusion default rule and an elective deferral regime. Under the default rule, a taxpayer that acquires a newly minted digital asset in connection with validating digital asset transactions would include the asset's fair market value in gross income as ordinary income at the time of acquisition, with the included amount becoming basis. Specified acquisition costs generally would be deductible rather than capitalized, unless Treasury permits capitalization to conform with the taxpayer's applicable financial statement treatment.

The bill's most significant change is an election to defer income inclusion for qualified newly minted digital assets. If elected, the taxpayer would not include the reward in income when acquired and instead would capitalize specified acquisition costs. On disposition, gain would be recognized notwithstanding other nonrecognition rules and treated as noncapital gain. Losses would be noncapital only to the extent they exceed basis not attributable to capitalized acquisition costs. The election would apply until revoked with Treasury consent and would be made at the partnership or S corporation level. Controlled foreign corporations (CFCs) and passive foreign investment companies (PFICs) would be ineligible.

The proposal also would add sourcing rules for validation rewards. Income from digital assets received in connection with validation generally would be sourced based on whether the taxpayer is a US resident or nonresident at acquisition; deferred income would be sourced by residence at disposition. The bill includes branch and partnership rules, treats certain qualified newly minted digital assets as unrealized receivables for partnership purposes, and excludes specified mining and staking income and gain from qualified business income under Section 199A.

For investment products, the bill would provide that a trust does not fail to qualify as a trust solely because the trustee has specified powers to stake digital assets, retain or distribute staking rewards, select assets for staking, and manage liquidity, unless the arrangement is engaged in an active validation trade or business.

Observation: H.R. 9175 would be important for miners, validators, staking-as-a-service providers, staking funds, partnerships, and digital asset investment trusts. The deferral election could address liquidity concerns where taxpayers owe tax before selling reward assets, but it would come with tradeoffs: capitalization of costs, noncapital gain treatment on disposition, limitations for foreign entities, and no fixed deferral endpoint in the base bill. This deferral feature drew particular attention at the June 9 hearing, where Democratic members raised concerns that the base bill could allow open-ended deferral of mining and staking income.

Proposed Horsford amendment to H.R. 9175

An amendment proposed by Steven Horsford (D-NV) would add an outside recognition date to the deferral election in H.R. 9175. Under the amendment, if an electing taxpayer holds a qualified newly minted digital asset beyond the fourth tax year after the acquisition year, the taxpayer would recognize gain or loss as if the asset were sold at fair market value on the last business day of that fourth following tax year. Proper adjustments would then be made to avoid duplicative gain or loss when the asset is later disposed of.

Observation: The amendment would materially limit the benefit of the deferral election. Taxpayers could still defer income on mining and staking rewards, but not indefinitely. Miners, validators, staking businesses, and partnerships would need to track reward acquisition years by asset and model potential deemed-sale recognition before actual liquidity events.

H.R. 9176 - Providing Analogous Rules for Digital Assets Act, or PAR Act

H.R. 9176 would extend selected securities and commodities tax rules to digital asset lending, trading, and dealer activity. The bill is aimed at reducing uncertainty where digital asset transactions economically resemble traditional financial transactions but are not clearly covered by existing Code provisions.

For lending transactions, the bill would amend Section 1058 so that nonrecognition treatment for qualifying securities loans also applies to loans of traded digital assets. To qualify, the lending arrangement would need to satisfy modified Section 1058 requirements, including return of identical

assets, equivalent payments for distributions and other legal entitlements, and, for traded digital assets, assumption by the transferor of obligations imposed on the owner during the lending period.

For traders and dealers, the bill would permit mark-to-market elections under Section 475 for covered digital assets. Covered digital assets would include widely traded digital assets, certain notional principal contracts, derivatives or similar interests, and identified hedges. This provision could allow electing digital asset traders and dealers to mark covered positions to market annually and generally treat resulting gain or loss as ordinary.

For foreign investors, the bill would add traded digital assets to the Section 864(b)(2) trading safe harbor. As a result, certain foreign persons trading digital assets through US brokers, custodians, or other agents, or trading for their own account, generally would not be treated as engaged in a US trade or business solely because of that trading activity, subject to dealer limitations.

Observation: The PAR Act would be relevant for digital asset lenders, funds, market makers, proprietary traders, non-US investors, custodians, and platforms. The bill could provide more predictable tax treatment for lending and trading activity, but taxpayers would need to determine whether assets qualify as 'traded' or 'widely traded,' whether lending agreements satisfy Section 1058-style requirements, and whether a Section 475 election is beneficial given ordinary gain or loss treatment and accounting-method implications. The hearing discussion also highlighted Republican interest in rules that would provide greater certainty for foreign persons and reduce the risk that digital asset trading through US infrastructure could trigger US tax or withholding consequences.

H.R. 9172 - Applying Existing Tax Anti-Abuse Rules to Digital Assets Act

H.R. 9172 would extend two anti-abuse regimes—wash sale rules and constructive sale rules—to digital assets. The proposal is intended to reduce taxpayers' ability to claim losses or defer gains on digital asset positions while maintaining substantially similar economic exposure.

For wash sales, the bill would amend Section 1091 to apply to 'specified assets,' including stocks, securities, and digital assets other than qualified US dollar stablecoins. Contracts and options to acquire or sell those assets also generally would be covered. The bill would further treat certain economically equivalent tokenized or wrapped digital assets as substantially identical to stocks, securities, or digital assets, which would limit taxpayers' ability to avoid wash sale treatment by shifting into tokenized or wrapped equivalents.

The wash sale proposal would include an exception for digital assets acquired in connection with validating digital asset transactions, including mining and staking support activities. The amendments generally would apply to dispositions after the date the bill was introduced, with a broker-reporting transition rule allowing customer adjusted basis for certain digital asset dispositions before January 1, 2028, to be determined without regard to Section 1091.

For constructive sales, the bill would amend Section 1259 to cover appreciated financial positions in digital assets other than qualified US dollar stablecoins. It also would treat tokenized digital assets as substantially identical to economically equivalent stock, debt instruments, or partnership interests.

Observation: H.R. 9172 would be significant for taxpayers using digital asset loss harvesting, hedging, tokenized instruments, wrapped assets, options, or similar synthetic exposure. Taxpayers would need to monitor not only direct repurchases of the same token, but also economically equivalent positions that may be treated as substantially identical. Platforms and brokers would face added basis-tracking and reporting complexity, particularly during the transition period before January 1, 2028.

H.R. 9173 - Charitable Deductions for Digital Asset Donations Act

H.R. 9173 would make it easier for taxpayers to substantiate charitable contributions of certain liquid digital assets. The bill would amend Section 170 to treat 'widely traded digital assets' similarly to publicly traded securities for purposes of the qualified appraisal rules. As a result, donors generally would not need to obtain a qualified appraisal for contributions of widely traded digital assets, subject to Treasury authority to prevent abuse. The rule would apply to tax years beginning after December 31, 2026.

The bill would define 'widely traded digital asset' by reference to exchange quotations, market capitalization, ownership concentration, and related rules for wrapped and tokenized digital assets. It also would add broader digital asset definitions, including rules for traded digital assets, tokenized digital assets, wrapped digital assets, reference digital assets, and qualified US dollar stablecoins.

Observation: The bill would reduce friction for charitable giving of liquid, exchange-traded digital assets by eliminating appraisal costs that currently may apply even where reliable exchange pricing is available. However, the base bill does not create a separate valuation regime for illiquid or thinly traded digital assets.

Proposed Horsford amendment to H.R. 9173

A proposed Horsford amendment would expand H.R. 9173 beyond widely traded digital assets by adding a special substantiation and valuation rule for donated digital assets that are not widely traded. If the claimed value of those assets exceeds $500, the deduction would be capped at the gross proceeds from an arm's-length sale by the donee organization. The donor also would need a contemporaneous written acknowledgment from the donee, generally provided within 30 days of the sale, containing specified information about the donor, the assets, the sale, the gross proceeds, and any goods or services provided in exchange for the contribution.

Observation: The amendment would make deductions for illiquid or thinly traded digital assets depend on the charity's sale proceeds rather than the donor's asserted fair market value. Charities accepting non-widely traded tokens would need procedures to sell the assets, issue acknowledgments, and report required information to Treasury.

H.R. 9174 - Digital Assets Voluntary Disclosure Program Act

H.R. 9174 would require Treasury to establish a digital asset-specific voluntary disclosure program within 12 months after enactment. The program would allow eligible taxpayers to resolve prior digital asset tax violations by filing amended returns, paying tax deficiencies and interest, paying a digital assets violation penalty, and satisfying any additional Treasury requirements.

The bill would create two categories of participants. 'Certified eligible taxpayers' would be taxpayers who certify under penalty of perjury that their digital asset violations were not fraudulent or willful. 'Uncertified eligible taxpayers' would include taxpayers who do not make that certification. Taxpayers already under IRS audit or criminal investigation generally could participate only if Treasury grants a waiver.

Penalty relief would depend on the taxpayer's certification status, the amount of the tax deficiency, and how quickly amended returns are filed after the program opens. Certified taxpayers generally would receive substantially lower penalty rates, while uncertified taxpayers would face higher penalties but could receive relief from certain civil penalties and, in some cases, protection against use of disclosed information for specified criminal tax referrals or prosecutions.

Observation: H.R. 9174 would be relevant for taxpayers with historic digital asset reporting issues, including unreported dispositions, staking or mining income, basis errors, or incomplete exchange and wallet records. Participation would require careful review of willfulness, fraud exposure, audit status, years to be amended, available records, and the tradeoff between penalty certainty and disclosure obligations. Taxpayers with potential issues should preserve transaction records and assess exposure before any program window opens.

Discussion Draft - End Digital Assets Tax Shelters Act

The discussion draft would target certain residence-based planning involving appreciated digital assets. Under the proposal, a US citizen or resident alien who was a US resident during any of the prior 10 tax years generally would continue to be treated as a US resident for sourcing gain from the sale of a digital asset, or from the sale of personal property received in exchange for a digital asset in a nonrecognition transaction.

The rule would not apply if the taxpayer actually pays foreign income tax equal to at least 10% of the gain from the sale. For this purpose, the draft would override the existing authority that otherwise may allow certain possession-source treatment for personal property gains.

Observation: The proposal would impact individuals with significant unrealized digital asset gains who relocate outside the United States or become bona fide residents of US possessions before selling. Taxpayers considering residence changes, expatriation-adjacent planning, or possession residency should model the rule before disposing of appreciated digital assets and should expect documentation questions around whether the 10% tax threshold is actually paid.

See also

- Tax Insight: Proposed digital asset legislation signals evolving tax framework (Apr. 28, 2026)

Let's talk

For a deeper discussion of how these proposals might affect your business, please contact:

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