



[CLICK HERE to return to the home page](#)

Reg. Section 1.6045-1(d)(2)(i)(C)

Returns of information of brokers and barter exchanges

(a) Definitions. The following definitions apply for purposes of this section and §§1.6045-2 and 1.6045-4.

(1) Broker. The term broker means any person (other than a person who is required to report a transaction under section 6043 of the Code), U.S. or foreign, that, in the ordinary course of a trade or business during the calendar year, stands ready to effect sales to be made by others. A broker includes an obligor that regularly issues and retires its own debt obligations, a corporation that regularly redeems its own stock, or a person that regularly offers to redeem digital assets that were created or issued by that person. A broker also includes a real estate reporting person under §1.6045-4(e) who (without regard to any exceptions provided by §1.6045-4(c) and (d)) would be required to make an information return with respect to a real estate transaction under §1.6045-4(a). However, with respect to a sale (including a redemption or retirement) effected at an office outside the United States under paragraph (g)(3)(iii) of this section (relating to sales other than sales of digital assets), a broker includes only a person described as a U.S. payor or U.S. middleman in §1.6049-5(c)(5). In the case of a sale of a digital asset, a broker includes only a U.S. digital asset broker as defined in paragraph (g)(4)(i)(A)(1) of this section. In addition, a broker does not include an international organization described in §1.6049-4(c)(1)(ii)(G) that redeems or retires an obligation of which it is the issuer.

(2) Customer.

(i) In general. The term customer means, with respect to a sale effected by a broker, the person (other than such broker) that makes the sale, if the broker acts as-

(A) An agent for such person in the sale;

(B) A principal in the sale;

(C) The participant in the sale responsible for paying to such person or crediting to such person's account the gross proceeds on the sale; or

(D) A digital asset middleman, as defined in paragraph (a)(21) of this section, that effects the sale of a digital asset for such person.

(ii) Special rules for payment transactions involving digital assets. In addition to the persons defined as customers in paragraph (a)(2)(i) of this section, the term customer includes:

(A) The person who transfers digital assets in a sale described in paragraph (a)(9)(ii)(D) of this section to a processor of digital asset payments that has an agreement or other arrangement with such person for

the provision of digital asset payment services that provides that the processor of digital asset payments may verify such person's identity or otherwise comply with anti-money laundering (AML) program requirements under 31 CFR part 1010, or any other AML program requirements, as are applicable to that processor of digital asset payments. For purposes of the previous sentence, an agreement or other arrangement includes any arrangement under which, as part of customary onboarding procedures, such person is treated as having agreed to general terms and conditions.

(B) The person who transfers digital assets or directs the transfer of digital assets-

(1) In exchange for property of a type the later sale of which, if effected by such broker, would constitute a sale of that property under paragraph (a)(9) of this section; or

(2) In exchange for the acquisition of services performed by such broker; and

(C) In the case of a real estate reporting person under § 1.6045-4(e) with respect to a real estate transaction as defined in § 1.6045-4(b)(1), the person who transfers digital assets or directs the transfer of digital assets to the transferor of real estate (or the seller's nominee or agent) to acquire such real estate.

(3) Security. The term security means:

(i) A share of stock in a corporation (foreign or domestic);

(ii) An interest in a trust;

(iii) An interest in a partnership;

(iv) A debt obligation;

(v) An interest in or right to purchase any of the foregoing in connection with the issuance thereof from the issuer or an agent of the issuer or from an underwriter that purchases any of the foregoing from the issuer;

(vi) An interest in a security described in paragraph (a)(3)(i) or (iv) of this section (but not including executory contracts that require delivery of such type of security);

(vii) An option described in paragraph (m)(2) of this section; or

(viii) A securities futures contract.

(4) Barter exchange. The term barter exchange means any person with members or clients that contract either with each other or with such person to trade or barter property or services either directly or through such person. The term does not include arrangements

that provide solely for the informal exchange of similar services on a noncommercial basis.

(5)Commodity. The term commodity means:

- (i) Any type of personal property or an interest therein (other than securities as defined in paragraph (a)(3) of this section), the trading of regulated futures contracts in which has been approved by or has been certified to the Commodity Futures Trading Commission (see 17 CFR 40.3 or 40.2);
- (ii) Lead, palm oil, rapeseed, tea, tin, or an interest in any of the foregoing; or
- (iii) Any other personal property or an interest therein that is of a type the Secretary determines is to be treated as a commodity under this section, from and after the date specified in a notice of such determination published in the Federal Register.

(6)Regulated futures contract. The term regulated futures contract means a regulated futures contract within the meaning of section 1256(b) of the Code.

(7)Forward contract. The term forward contract means:

- (i) An executory contract that requires delivery of a commodity in exchange for cash and which contract is not a regulated futures contract;
- (ii) An executory contract that requires delivery of personal property or an interest therein in exchange for cash, or a cash settlement contract, if such executory contract or cash settlement contract is of a type the Secretary determines is to be treated as a forward contract under this section, from and after the date specified in a notice of such determination published in the Federal Register; or
- (iii) An executory contract that-
 - (A) Requires delivery of a digital asset in exchange for cash, stored-value cards, a different digital asset, or any other property or services described in paragraph (a)(9)(ii)(B) or (C) of this section; and
 - (B) Is not a regulated futures contract.

(8)Closing transaction. The term closing transaction means a lapse, expiration, settlement, abandonment, or other termination of a position. For purposes of the preceding sentence, a position includes a right or an obligation under a forward contract, a regulated futures contract, a securities futures contract, or an option.

(9)Sale.

- (i) In general. The term sale means any disposition of securities, commodities, options, regulated futures contracts, securities futures contracts, or forward contracts, and includes redemptions of stock, retirements of debt instruments (including a partial retirement attributable to a principal payment received on or after January 1, 2014), and enterings into short sales, but only to the extent any of these actions are conducted for cash. In the case of an option, a regulated futures contract, a securities futures contract, or a forward contract, a sale includes any

closing transaction. When a closing transaction for a contract described in section 1256(b)(1)(A) involves making or taking delivery, there are two sales, one resulting in profit or loss on the contract, and a separate sale on the delivery. When a closing transaction for a contract described in section 988(c)(5) of the Code involves making delivery, there are two sales, one resulting in profit or loss on the contract, and a separate sale on the delivery. For purposes of the preceding sentence, a broker may assume that any customer's functional currency is the U.S. dollar. When a closing transaction in a forward contract involves making or taking delivery, the broker may treat the delivery as a sale without separating the profit or loss on the contract from the profit or loss on the delivery, except that taking delivery for U.S. dollars is not a sale. The term sale does not include entering into a contract that requires delivery of personal property or an interest therein, the initial grant or purchase of an option, or the exercise of a purchased call option for physical delivery (except for a contract described in section 988(c)(5)). For purposes of this section only, a constructive sale under section 1259 of the Code and a mark to fair market value under section 475 or 1296 of the Code are not sales.

(ii) Sales with respect to digital assets.

(A) In general. In addition to the specific rules provided in paragraphs (a)(9)(ii)(B) through (D) of this section, the term sale also includes:

(1) Any disposition of a digital asset in exchange for cash or stored-value cards;

(2) Any disposition of a digital asset in exchange for a different digital asset; and

(3) The delivery of a digital asset pursuant to the settlement of a forward contract, option, regulated futures contract, any similar instrument, or any other executory contract which would be treated as a sale of a digital asset under this paragraph (a)(9)(ii) if the contract had not been executory. In the case of a transaction involving a contract described in the previous sentence, see paragraph (a)(9)(i) of this section for rules applicable to determining whether a sale has occurred and how to report the making or taking delivery of the underlying asset.

(B) Dispositions of digital assets for certain property. Solely in the case of a broker that is a real estate reporting person defined in §1.6045-4(e) with respect to real property or is in the business of effecting sales of property for others, which sales when effected would constitute sales under paragraph (a)(9)(i) of this section, the term sale also includes any disposition of a digital asset in exchange for such property.

(C) Dispositions of digital assets for certain services. The term sale also includes any disposition of a digital asset in consideration for any services provided by a broker that is a real estate reporting person defined in §1.6045-4(e) with respect to real property or a broker that is in the

business of effecting sales of property described in paragraph (a)(9)(i), paragraphs (a)(9)(ii)(A) and (B), or paragraph (a)(9)(ii)(D) of this section.

(D) Special rule for certain sales effected by processors of digital asset payments. In the case of a processor of digital asset payments as defined in paragraph (a)(22) of this section, the term sale also includes the payment by one party of a digital asset to a processor of digital asset payments in return for the payment of that digital asset, cash, or a different digital asset to a second party. If any sale of digital assets described in this paragraph (a)(9)(ii)(D) would also be subject to reporting under one of the definitions of sale described in paragraphs (a)(9)(ii)(A) through (C) of this section as a sale effected by a broker other than as a processor of digital asset payments, the broker must treat the sale solely as a sale under such other paragraph and not as a sale under this paragraph (a)(9)(ii)(D).

(10)Effect.

(i) In general. The term effect means, with respect to a sale, to act as-

(A) An agent for a party in the sale wherein the nature of the agency is such that the agent ordinarily would know the gross proceeds from the sale;

(B) In the case of a broker described in the second sentence of paragraph (a)(1) of this section, a person that is an obligor retiring its own debt obligations, a corporation redeeming its own stock, or an issuer of digital assets redeeming those digital assets;

(C) A principal that is a dealer in such sale; or

(D) A digital asset middleman as defined in paragraph (a)(21) of this section for a party in a sale of digital assets.

(ii) Actions relating to certain options and forward contracts. For purposes of paragraph (a)(10)(i) of this section, acting as an agent, principal, or digital asset middleman with respect to grants or purchases of options, exercises of call options, or enterings into contracts that require delivery of personal property or an interest therein is not of itself effecting a sale. A broker that has on its books a forward contract under which delivery is made effects such delivery.

(11)Foreign currency. The term foreign currency means currency of a foreign country.

(12)Cash. The term cash means United States dollars or any convertible foreign currency that is issued by a government or a central bank, whether in physical or digital form.

(13)Person. The term person includes any governmental unit and any agency or instrumentality thereof.

(14)Specified security. The term specified security means:

(i) Any share of stock (or any interest treated as stock, including, for example, an American Depositary Receipt) in an entity organized as, or treated for Federal tax

purposes as, a corporation, either foreign or domestic (provided that, solely for purposes of this paragraph (a)(14)(i), a security classified as stock by the issuer is treated as stock, and if the issuer has not classified the security, the security is not treated as stock unless the broker knows that the security is reasonably classified as stock under general Federal tax principles);

(ii) Any debt instrument described in paragraph (a)(17) of this section, other than a debt instrument subject to section 1272(a)(6) of the Code (certain interests in or mortgages held by a real estate mortgage investment conduit (REMIC), certain other debt instruments with payments subject to acceleration, and pools of debt instruments the yield on which may be affected by prepayments) or a short-term obligation described in section 1272(a)(2)(C);

(iii) Any option described in paragraph (m)(2) of this section;

(iv) Any securities futures contract;

(v) Any digital asset as defined in paragraph (a)(19) of this section; or

(vi) Any forward contract described in paragraph (a)(7)(iii) of this section requiring the delivery of a digital asset.

(15) Covered security. The term covered security means a specified security described in this paragraph (a)(15).

(i) In general. Except as provided in paragraph (a)(15)(iv) of this section, the following specified securities are covered securities:

(A) A specified security described in paragraph (a)(14)(i) of this section acquired for cash in an account on or after January 1, 2011, except stock for which the average basis method is available under §1.1012-1(e).

(B) Stock for which the average basis method is available under §1.1012-1(e) acquired for cash in an account on or after January 1, 2012.

(C) A specified security described in paragraphs (a)(14)(ii) and (n)(2)(i) of this section (not including the debt instruments described in paragraph (n)(2)(ii) of this section) acquired for cash in an account on or after January 1, 2014.

(D) A specified security described in paragraphs (a)(14)(ii) and (n)(3) of this section acquired for cash in an account on or after January 1, 2016.

(E) Except for an option described in paragraph (m)(2)(ii)(C) of this section (relating to an option on a digital asset), an option described in paragraph (a)(14)(iii) of this section granted or acquired for cash in an account on or after January 1, 2014.

(F) A securities futures contract described in paragraph (a)(14)(iv) of this section entered into in an account on or after January 1, 2014.

(G) A specified security transferred to an account if the broker or other custodian of the account receives a transfer statement (as described in §1.6045A-1) reporting the security as a covered security.

(H) An option on a digital asset described in paragraphs (a)(14)(iii) and (m)(2)(ii)(C) of this section (other than an option described in paragraph (a)(14)(v) of this section) granted or acquired in an account on or after January 1, 2026.

(I) [Reserved]

(J) A specified security described in paragraph (a)(14)(v) of this section that is acquired in a customer's account by a broker providing custodial services for such specified security on or after January 1, 2026, in exchange for cash, stored-value cards, different digital assets, or any other property or services described in paragraph (a)(9)(ii)(B) or (C) of this section, respectively.

(K) A specified security described in paragraph (a)(14)(vi) of this section, not described in paragraph (a)(14)(v) of this section, that is entered into or acquired in an account on or after January 1, 2026.

(ii) Acquired in an account. For purposes of this paragraph (a)(15), a security is considered acquired in a customer's account at a broker or custodian if the security is acquired by the customer's broker or custodian or acquired by another broker and delivered to the customer's broker or custodian. Acquiring a security in an account includes granting an option and entering into a forward contract or short sale.

(iii) Corporate actions and other events. For purposes of this paragraph (a)(15), a security acquired due to a stock dividend, stock split, reorganization, redemption, stock conversion, recapitalization, corporate division, or other similar action is considered acquired for cash in an account.

(iv) Exceptions. Notwithstanding paragraph (a)(15)(i) of this section, the following specified securities are not covered securities:

(A) Stock acquired in 2011 that is transferred to a dividend reinvestment plan (as described in §1.1012-1(e)(6)) in 2011. However, a covered security acquired in 2011 that is transferred to a dividend reinvestment plan after 2011 remains a covered security.

(B) A specified security, other than a specified security described in paragraph (a)(14)(v) or (vi) of this section, acquired through an event described in paragraph (a)(15)(iii) of this section if the basis of the acquired security is determined from the basis of a noncovered security.

(C) A specified security that is excepted at the time of its acquisition from reporting under paragraph (c)(3) or (g) of this section. However, a broker

cannot treat a specified security as acquired by an exempt foreign person under paragraph (g)(1)(i) or paragraphs (g)(4)(ii) through (v) of this section at the time of acquisition if, at that time, the broker knows or should have known (including by reason of information that the broker is required to collect under section 1471 or 1472 of the Code) that the customer is not a foreign person.

(D) A security for which reporting under this section is required by §1.6049-5(d)(3)(ii) (certain securities owned by a foreign intermediary or flow-through entity).

(E) Digital assets in a sale required to be reported under paragraph (g)(4)(vi)(E) of this section by a broker making a payment of gross proceeds from the sale to a foreign intermediary, flow-through entity, or U.S. branch.

(16)Noncovered security. The term noncovered security means any specified security that is not a covered security.

(17)Debt instrument, bond, debt obligation, and obligation. For purposes of this section, the terms debt instrument, bond, debt obligation, and obligation mean a debt instrument as defined in § 1.1275-1(d) and any instrument or position that is treated as a debt instrument under a specific provision of the Code (for example, a regular interest in a REMIC as defined in section 860G(a)(1) of the Code and §1.860G-1). Solely for purposes of this section, a security classified as debt by the issuer is treated as debt. If the issuer has not classified the security, the security is not treated as debt unless the broker knows that the security is reasonably classified as debt under general Federal tax principles or that the instrument or position is treated as a debt instrument under a specific provision of the Code.

(18)Securities futures contract. For purposes of this section, the term securities futures contract means a contract described in section 1234B(c) of the Code whose underlying asset is described in paragraph (a)(14)(i) of this section and which is entered into on or after January 1, 2014.

(19)Digital asset.

(i) In general. For purposes of this section, the term digital asset means any digital representation of value that is recorded on a cryptographically secured distributed ledger (or any similar technology), without regard to whether each individual transaction involving that digital asset is actually recorded on that ledger, and that is not cash as defined in paragraph (a)(12) of this section.

(ii) No inference. Nothing in this paragraph (a)(19) or elsewhere in this section may be construed to mean that a digital asset is or is not properly classified as a security, commodity, option, securities futures contract, regulated futures contract, or forward contract for any other purpose of the Code.

(20)Digital asset address. For purposes of this section, the term digital asset address means the unique set of alphanumeric characters, in some cases referred to as a quick

response or QR Code, that is generated by the wallet into which the digital asset will be transferred.

(21) Digital asset middleman.

(i) In general. The term digital asset middleman means any person who provides a facilitative service as described in paragraph (a)(21)(iii) of this section with respect to a sale of digital assets.

(ii) [Reserved]

(iii) Facilitative service.

(A) [Reserved]

(B) Special rule involving sales of digital assets under paragraphs

(a)(9)(ii)(B) through (D) of this section. A facilitative service means:

(1) The acceptance or processing of digital assets as payment for property of a type which when sold would constitute a sale under paragraph (a)(9)(i) of this section by a broker that is in the business of effecting sales of such property.

(2) Any service performed by a real estate reporting person as defined in §1.6045-4(e) with respect to a real estate transaction in which digital assets are paid by the real estate buyer in full or partial consideration for the real estate, provided the real estate reporting person has actual knowledge or ordinarily would know that digital assets were used by the real estate buyer to make payment to the real estate seller. For purposes of this paragraph (a)(21)(iii)(B)(2), a real estate reporting person is considered to have actual knowledge that digital assets were used by the real estate buyer to make payment if the terms of the real estate contract provide for payment using digital assets.

(3) The acceptance or processing of digital assets as payment for any service provided by a broker described in paragraph (a)(1) of this section determined without regard to any sales under paragraph (a)(9)(ii)(C) of this section that are effected by such broker.

(4) Any payment service performed by a processor of digital asset payments described in paragraph (a)(22) of this section, provided the processor of digital asset payments has actual knowledge or ordinarily would know the nature of the transaction and the gross proceeds therefrom.

(5) The acceptance of digital assets in return for cash, stored-value cards, or different digital assets, to the extent provided by a physical electronic terminal or kiosk.

(22)Processor of digital asset payments. For purposes of this section, the term processor of digital asset payments means a person who in the ordinary course of a trade or business stands ready to effect sales of digital assets as defined in paragraph (a)(9)(ii)(D) of this section by regularly facilitating payments from one party to a second party by receiving digital assets from the first party and paying those digital assets, cash, or different digital assets to the second party.

(23)Stored-value card. For purposes of this section, the term stored-value card means a card, including any gift card, with a prepaid value in U.S. dollars, any convertible foreign currency, or any digital asset, without regard to whether the card is in physical or digital form.

(24)Transaction identification. For purposes of this section, the term transaction identification, or transaction ID, means the unique set of alphanumeric identification characters that a digital asset distributed ledger associates with a transaction involving the transfer of a digital asset from one digital asset address to another. The term transaction ID includes terms such as a TxID or transaction hash.

(25)Wallet, hosted wallet, unhosted wallet, and held in a wallet or account.

(i) Wallet. A wallet is a means of storing, electronically or otherwise, a user's private keys to digital assets held by or for the user.

(ii) Hosted wallet. A hosted wallet is a custodial service that electronically stores the private keys to digital assets held on behalf of others.

(iii) Unhosted wallet. An unhosted wallet is a non-custodial means of storing, electronically or otherwise, a user's private keys to digital assets held by or for the user. Unhosted wallets, sometimes referred to as self-hosted or self-custodial wallets, can be provided through software that is connected to the internet (a hot wallet) or through hardware or physical media that is disconnected from the internet (a cold wallet).

(iv) Held in a wallet or account. A digital asset is referred to in this section as held in a wallet or account if the wallet, whether hosted or unhosted, or account stores the private keys necessary to transfer control of the digital asset. A digital asset associated with a digital asset address that is generated by a wallet, and a digital asset associated with a sub-ledger account of a wallet, are similarly referred to as held in a wallet. References to variations of held in a wallet or account, such as held at a broker, held with a broker, held by the user of a wallet, held on behalf of another, acquired in a wallet or account, or transferred into a wallet or account, each have a similar meaning.

(b)Examples. The following examples illustrate the definitions in paragraph (a) of this section.

(1)Example (1). The following persons generally are brokers within the meaning of paragraph (a)(1) of this section-

(i) A mutual fund, an underwriter of the mutual fund, or an agent for the mutual fund, any of which stands ready to redeem or repurchase shares in such mutual fund.

(ii) A professional custodian (such as a bank) that regularly arranges sales for custodial accounts pursuant to instructions from the owner of the property.

- (iii) A depositary trust or other person who regularly acts as an escrow agent in corporate acquisitions, if the nature of the activities of the agent is such that the agent ordinarily would know the gross proceeds from sales.
- (iv) A stock transfer agent for a corporation, which agent records transfers of stock in such corporation, if the nature of the activities of the agent is such that the agent ordinarily would know the gross proceeds from sales.
- (v) A dividend reinvestment agent for a corporation that stands ready to purchase or redeem shares.
- (vi) A person who in the ordinary course of a trade or business provides users with hosted wallet services to the extent such person stands ready to effect the sale of digital assets on behalf of its customers, including by acting as an agent for a party in the sale wherein the nature of the agency is as described in paragraph (a)(10)(i)(A) of this section.
- (vii) A processor of digital asset payments as described in paragraph (a)(22) of this section.
- (viii) A person who in the ordinary course of a trade or business either owns or operates one or more physical electronic terminals or kiosks that stand ready to effect the sale of digital assets for cash, stored-value cards, or different digital assets, regardless of whether the other person is the disposer or the acquirer of the digital assets in such an exchange.
- (ix) [Reserved]
- (x) A person who in the ordinary course of a trade or business stands ready at a physical location to effect sales of digital assets on behalf of others.
- (xi) [Reserved]

(2)Example (2). The following persons are not brokers within the meaning of paragraph (a)(1) of this section in the absence of additional facts that indicate the person is a broker-

- (i) A stock transfer agent for a corporation, which agent daily records transfers of stock in such corporation, if the nature of the activities of the agent is such that the agent ordinarily would not know the gross proceeds from sales.
- (ii) A person (such as a stock exchange) that merely provides facilities in which others effect sales.
- (iii) An escrow agent or nominee if such agency is not in the ordinary course of a trade or business.
- (iv) An escrow agent, otherwise a broker, which agent effects no sales other than such transactions as are incidental to the purpose of the escrow (such as sales to collect on collateral).
- (v) A floor broker on a commodities exchange, which broker maintains no records with respect to the terms of sales.
- (vi) A corporation that issues and retires long-term debt on an irregular basis.
- (vii) A clearing organization.
- (viii) A merchant who is not otherwise required to make a return of information under section 6045 of the Code and who regularly sells goods or other property (other than digital assets) or services in return for digital assets.
- (ix) A person solely engaged in the business of validating distributed ledger transactions, through proof-of-work, proof-of-stake, or any other similar consensus mechanism, without providing other functions or services.
- (x) A person solely engaged in the business of selling hardware or licensing software, the sole function of which is to permit a person to control private keys which are used for accessing digital assets on a distributed ledger, without providing other functions or services.

(3)Example (3). Barter exchange. A, B, and C belong to a carpool in which they commute to and from work. Every third day, each member of the carpool provides transportation for the other two members. Because the carpool arrangement provides solely for the informal exchange of similar services on a noncommercial basis, the carpool is not a barter exchange within the meaning of paragraph (a)(4) of this section.

(4)Example (4). Barter exchange. X is an organization whose members include retail merchants, wholesale merchants, and persons in the trade or business of performing services. X's members exchange property and services among themselves using credits on the books of X as a medium of exchange. Each exchange through X is reflected on the books of X by crediting the account of the member providing property or services and debiting the account of the member receiving such property or services. X also provides information to its members concerning property and services available for exchange through X. X charges its members a commission on each transaction in which credits on its books are used as a medium of exchange. X is a barter exchange within the meaning of paragraph (a)(4) of this section.

(5)Example (5). Commodity, forward contract. A warehouse receipt is an interest in personal property for purposes of paragraph (a) of this section. Consequently, a warehouse receipt for a quantity of lead is a commodity under paragraph (a)(5)(ii) of this section. Similarly, an executory contract that requires delivery of a warehouse receipt for a quantity of lead is a forward contract under paragraph (a)(7)(ii) of this section.

(6)Example (6). Customer. The only customers of a depositary trust acting as an escrow agent in corporate acquisitions, which trust is a broker, are shareholders to whom the trust makes payments or shareholders for whom the trust is acting as an agent.

(7)Example (7). Customer. The only customers of a stock transfer agent, which agent is a broker, are shareholders to whom the agent makes payments or shareholders for whom the agent is acting as an agent.

(8)Example (8). Customer. D, an individual not otherwise exempt from reporting, is the holder of an obligation issued by P, a corporation. R, a broker, acting as an agent for P, retires such obligation held by D. Such obligor payments from R represent obligor payments by P. D, the person to whom the gross proceeds are paid or credited by R, is the customer of R.

(9)Example (9). Covered security. E, an individual not otherwise exempt from reporting, maintains an account with S, a broker. On June 1, 2012, E instructs S to purchase stock that is a specified security for cash. S places an order to purchase the stock with T, another broker. E does not maintain an account with T. T executes the purchase. Custody of the purchased stock is transferred to E's account at S. Under paragraph (a)(15)(ii) of this section, the stock is considered acquired for cash in E's account at S. Because the stock is acquired on or after January 1, 2012, under paragraph (a)(15)(i) of this section, it is a covered security.

(10)Example (10). Covered security. F, an individual not otherwise exempt from reporting, is granted 100 shares of stock in F's employer by F's employer. Because F does

not acquire the stock for cash or through a transfer to an account with a transfer statement (as described in §1.6045A-1), under paragraph (a)(15) of this section, the stock is not a covered security.

(11)Example (11). Covered security. G, an individual not otherwise exempt from reporting, owns 400 shares of stock in Q, a corporation, in an account with U, a broker. Of the 400 shares, 100 are covered securities and 300 are noncovered securities. Q takes a corporate action to split its stock in a 2-for-1 split. After the stock split, G owns 800 shares of stock. Because the adjusted basis of 600 of the 800 shares that G owns is determined from the basis of noncovered securities, under paragraphs (a)(15)(iii) and (a)(15)(iv)(B) of this section, these 600 shares are not covered securities and the remaining 200 shares are covered securities.

(12)Example (12). Processor of digital asset payments, sale, and customer-(i) Facts. Company Z is an online merchant that accepts digital asset DE as a form of payment for the merchandise it sells. The merchandise Z sells does not include digital assets. Z does not provide any other service that could be considered as standing ready to effect sales of digital assets or any other property subject to reporting under section 6045. CPP is in the business of facilitating payments made by users of digital assets to merchants with which CPP has an account. CPP also has contractual arrangements with users of digital assets for the provision of digital asset payment services that provide that CPP may verify such user's identity pursuant to AML program requirements. Z contracts with CPP to help Z's customers to make payments to Z using digital assets. Under Z's agreement with CPP, when purchasers of merchandise initiate payment on Z's website using DE, they are directed to CPP's website to complete the payment part of the transaction. CPP is a third party settlement organization, as defined in §1.6050W-1(c)(2), with respect to the payments it makes to Z. Customer R seeks to purchase merchandise from Z that is priced at \$6,000 (which is 6,000 units of DE). After R initiates a purchase, R is directed to CPP's website where R is directed to enter into an agreement with CPP, which as part of CPP's customary onboarding procedures developed pursuant to AML program requirements, requires R to submit information to CPP to verify R's identity. Thereafter, R is instructed to transfer 6,000 units of DE to a digital asset address controlled by CPP. CPP then pays \$6,000 in cash to Z, who in turn processes R's order.

(ii) Analysis. CPP is a processor of digital asset payments within the meaning of paragraph (a)(22) of this section because CPP, in the ordinary course of its business, regularly effects sales of digital assets as defined in paragraph (a)(9)(ii)(D) of this section by receiving digital assets from one party and paying those digital assets, cash, or different digital assets to a second party. Based on CPP's contractual relationship with Z, CPP has actual knowledge that R's payment was a payment transaction and the amount of gross proceeds R received as a result. Accordingly, CPP's services are facilitative services under paragraph (a)(21)(iii)(B) of this section and CPP is acting as a digital asset middleman under paragraph (a)(21) of this section to effect R's sale of digital assets under paragraph (a)(10)(i)(D) of this section. R's payment of 6,000 units of DE to CPP in return for the payment of \$6,000 cash to Z is a sale of digital assets under paragraph (a)(9)(ii)(D) of this section. Additionally, because CPP has an arrangement with R for the provision of digital asset payment services that provides that CPP may verify R's identity pursuant to AML program requirements, R is CPP's customer under paragraph (a)(2)(ii)(A) of this section. Finally, CPP is also required to report the payment to Z under § 1.6050W-1(a) because the payment is a third party network transaction under

§1.6050W-1(c). The answer would be the same if CPP paid Z the 6,000 units of DE or another digital asset instead of cash.

(13)Example (13). Broker. The facts are the same as in paragraph (b)(12)(i) of this section (the facts in Example 12), except that Z accepts digital asset DE from its purchasers directly without the services of CPP or any other processor of digital asset payments. To pay for the merchandise R purchases on Z's website, R is directed by Z to transfer 15 units of DE directly to Z's digital asset address. Z is not a broker under the definition of paragraph (a)(1) of this section because Z does not stand ready as part of its trade or business to effect sales as defined in paragraph (a)(9) of this section made by others. That is, the sales that Z is in the business of conducting are of property that is not subject to reporting under section 6045.

(14)Example (14). Processor of digital asset payments-(i) Facts. Customer S purchases goods that are not digital assets with 10 units of digital asset DE from Merchant M using a digital asset DE credit card issued by Bank BK. BK has a contractual arrangement with customers using BK's credit cards that provides that BK may verify such customer identification information pursuant to AML program requirements. In addition, as part of BK's customary onboarding procedures, BK requires credit card applicants to submit information to BK to verify their identity. M is one of a network of unrelated persons that has agreed to accept digital asset DE credit cards issued by BK as payment for purchase transactions under an agreement that provides standards and mechanisms for settling the transaction between a merchant acquiring bank and the persons who accept the cards. Bank MAB is the merchant acquiring entity with the contractual obligation to make payments to M for goods provided to S in this transaction. To make payment for S's purchase of goods from M, S transfers 10 units of digital asset DE to BK. BK pays the 10 units of DE, less its processing fee, to Bank MAB, which amount Bank MAB pays, less its processing fee, to M.

(ii) Analysis. BK is a processor of digital asset payments as defined in paragraph (a)(22) of this section because BK, in the ordinary course of its business, regularly effects sales of digital assets as defined in paragraph (a)(9)(ii)(D) of this section by receiving digital assets from one party and paying those digital assets, cash, or different digital assets to a second party. Bank BK has actual knowledge that payment made by S is a payment transaction and also knows S's gross proceeds therefrom. Accordingly, BK's services are facilitative services under paragraph (a)(21)(iii)(B) of this section and BK is acting as a digital asset middleman under paragraph (a)(21) of this section to effect sales of digital assets under paragraph (a)(10)(i)(D) of this section. S's payment of 10 units of DE to BK for the payment of those units, less BK's processing fee, to Bank MAB is a sale by S of digital assets under paragraph (a)(9)(ii)(D) of this section. Additionally, because S transferred digital assets to BK in a sale described in paragraph (a)(9)(ii)(D) of this section and because BK has an arrangement with S for the provision of digital asset payment services that provides that BK may verify S's identity, S is BK's customer under paragraph (a)(2)(ii)(A) of this section.

(15)Example (15). Digital asset middleman and effect-(i) Facts. SBK is in the business of effecting sales of stock and other securities on behalf of customers. To open an account with SBK, each customer must provide SBK with its name, address, and tax identification number. SBK accepts 20 units of digital asset DE from Customer P as

payment for 10 shares of AB stock. Additionally, P pays SBK an additional 1 unit of digital asset DE as a commission for SBK's services.

(ii) Analysis. SBK's acceptance of 20 units of DE as payment for the AB stock is a facilitative service under paragraph (a)(21)(iii)(B) of this section because the payment is for property (the AB stock) that when sold would constitute a sale under paragraph (a)(9)(i) of this section by a broker that is in the business of effecting sales of stock and other securities. SBK's acceptance of 1 unit of DE as payment for SBK's commission is also a facilitative service under paragraph (a)(21)(iii)(B) of this section because SBK is a broker under paragraph (a)(1) of this section with respect to a sale of stock under paragraph (a)(9)(i) of this section. Accordingly, SBK is acting as a digital asset middleman to effect P's sale of 10 units of DE in return for the AB stock and P's sale of 1 unit of DE as payment for SBK's commission under paragraphs (a)(10)(i)(D) and (a)(21) of this section.

(16)Example (16). Digital asset middleman and effect-(i) Facts. J, an unmarried individual not otherwise exempt from reporting, enters into a contractual agreement with B, an individual not otherwise exempt from reporting, to exchange J's principal residence, Blackacre, which has a fair market value of \$225,000 for units of digital asset DE with a value of \$225,000. Prior to closing, J provides closing agent CA, who is a real estate reporting person under §1.6045-4(e), with the certifications required under §1.6045-4(c)(2)(iv) (to exempt the transaction from reporting under §1.6045-4(a) due to Blackacre being J's principal residence). Prior to closing, B transfers the digital assets directly from B's wallet to J's wallet, and J certifies to the closing agent (CA) that J received the digital assets required to be paid under the contract.

(ii) Analysis. CA is performing services as a real estate reporting person with respect to a real estate transaction in which the real estate buyer (B) pays digital assets in full or partial consideration for the real estate. In addition, CA has actual knowledge that payment made to B included digital assets because the terms of the real estate contract provide for such payment. Accordingly, the closing services provided by CA are facilitative services under paragraph (a)(21)(iii)(B)(2) of this section, and CA is acting as a digital asset middleman under paragraph (a)(21) of this section to effect B's sale of 1,000 DE units under paragraph (a)(10)(i)(D) of this section. These conclusions are not impacted by whether or not CA is required to report the sale of the real estate by J under §1.6045-4(a).

(17)Example (17). Digital asset and cash-(i) Facts. Y is a privately held corporation that issues DL, a digital representation of value designed to track the value of the U.S. dollar. DL is backed in part or in full by U.S. dollars held by Y, and Y offers to redeem units of DL for U.S. dollars at par at any time. Transactions involving DL utilize cryptography to secure transactions that are digitally recorded on a cryptographically secured distributed ledger called the DL blockchain. CRX is a digital asset broker that also provides hosted wallet services for its customers seeking to make trades of digital assets using CRX. R is a customer of CRX. R exchanges 100 units of DL for \$100 in cash from CRX. CRX does not record this transaction on the DL blockchain, but instead records the transaction on CRX's own centralized private ledger.

(ii) Analysis. DL is not cash under paragraph (a)(12) of this section because it is not issued by a government or central bank. DL is a digital asset under paragraph (a)(19) of this section because it is a digital representation of value that is recorded on a

cryptographically secured distributed ledger. The fact that CRX recorded R's transaction on its own private ledger and not on the DL blockchain does not change this conclusion.

(18)Example (18). Broker and effect-(i) Facts. Individual J is an artist in the business of creating and selling nonfungible tokens that reference J's digital artwork. To find buyers and to execute these transactions, J uses the services of P2X, an unrelated digital asset marketplace that provides a service for nonfungible token sellers to find buyers and automatically executing contracts in return for a transaction fee. J does not perform any other services with respect to these transactions. Using P2X's platform, buyer K purchases J's newly created nonfungible token (DA-J) for 1,000 units of digital asset DE. Using the interface provided by P2X, J and K execute their exchange using an automatically executing contract, which automatically transfers DA-J to K and K's payment of DE units to J.

(ii) Analysis. Although J is a principal in the exchange of DA-J for 1,000 units of DE, J is not acting as an obligor retiring its own debt obligations, a corporation redeeming its own stock, or an issuer of digital assets that is redeeming those digital assets, as described in paragraph (a)(10)(i)(B) of this section. Because J created DA-J as part of J's business of creating and selling specified nonfungible tokens, J is also not acting in these transactions as a dealer as described in paragraph (a)(10)(i)(C) of this section, as an agent for another party as described in paragraph (a)(10)(i)(A) of this section, or as a digital asset middleman described in paragraph (a)(10)(i)(D) of this section. Accordingly, J is not a broker under paragraph (a)(1) of this section because J does not effect sales of digital assets on behalf of others under the definition of effect under paragraph (a)(10)(i) of this section.

(19)Example (19). Broker, sale, and effect-(i) Facts. HWP is a person that regularly provides hosted wallet services for customers. HWP does not operate a digital asset trading platform, but at the direction of its customers regularly executes customer exchange orders using the services of digital asset trading platforms. Individual L maintains digital assets with HWP. L places an order with HWP to exchange 10 units of digital asset DE held by L with HWP for 100 units of digital asset RN. To execute the order, HWP places the order with PRX, a person, as defined in section 7701(a)(1) of the Code, that operates a digital asset trading platform. HWP debits L's account for the disposed DE units and credits L's account for the RN units received in exchange.

(ii) Analysis. The exchange of L's DE units for RN units is a sale under paragraph (a)(9)(ii)(A)(2) of this section. HWP acts as an agent for L in this sale, and the nature of this agency is such that HWP ordinarily would know the gross proceeds from the sale. Accordingly, HWP has effected the sale under paragraph (a)(10)(i)(A) of this section. Additionally, HWP is a broker under paragraph (a)(1) of this section because in the ordinary course of its trade or business, HWP stands ready to effect sales to be made by others. If PRX is also a broker, see the multiple broker rule in paragraph (c)(3)(iii)(B) of this section.

(20)Example (20). Digital asset and security. M owns 10 ownership units of a fund organized as a trust described in §301.7701-4(c) of this chapter that was formed to invest in digital assets. M's units are held in a securities brokerage account and are not recorded using cryptographically secured distributed ledger technology. Although the underlying investments are comprised of one or more digital assets, M's investment is in ownership units of a trust, and the units are not themselves digital assets under paragraph (a)(19) of

this section because transactions involving these units are not secured using cryptography and are not digitally recorded on a distributed ledger, such as a blockchain. The answer would be the same if the fund is organized as a C corporation or partnership.

(21)Example (21). Forward contract, closing transaction, and sale--(i) Facts. On February 24, Year 1, J contracts with broker CRX to sell J's 10 units of digital asset DE to CRX at an agreed upon price, with delivery under the contract to occur at 4 p.m. on March 10, Year 1. Pursuant to this agreement, J delivers the 10 units of DE to CRX, and CRX pays J the agreed upon price in cash.

(ii) Analysis. Under paragraph (a)(7)(iii) of this section, the contract between J and CRX is a forward contract. J's delivery of digital asset DE pursuant to the forward contract is a closing transaction described in paragraph (a)(8) of this section that is treated as a sale of the underlying digital asset DE under paragraph (a)(9)(ii)(A)(3) of this section. Pursuant to the rules of paragraphs (a)(9)(i) and (a)(9)(ii)(A)(3) of this section, CRX may treat the delivery of DE as a sale without separating the profit or loss on the forward contract from the profit or loss on the delivery.

(22)Example (22). Digital asset--(i) Facts. On February 7, Year 1, J purchases a regulated futures contract on digital asset DE through futures commission merchant FCM. The contract is not recorded using cryptographically secured distributed ledger technology. The contract expires on the last Friday in June, Year 1. On May 1, Year 1, J enters into an offsetting closing transaction with respect to the regulated futures contract.

(ii) Analysis. Although the regulated futures contract's underlying assets are comprised of digital assets, J's investment is in the regulated futures contract, which is not a digital asset under paragraph (a)(19) of this section because transactions involving the contract are not secured using cryptography and are not digitally recorded using cryptographically secured distributed ledger technology, such as a blockchain. When J disposes of the contract, the transaction is a sale of a regulated futures contract covered by paragraph (a)(9)(i) of this section.

(23)Example (23). Closing transaction and sale--(i) Facts. On January 15, Year 1, J purchases digital asset DE through Broker. On March 1, Year 1, J sells a regulated futures contract on DE through Broker. The contract expires on the last Friday in June, Year 1. On the last Friday in June, Year 1, J delivers the DE in settlement of the regulated futures contract.

(ii) Analysis. J's delivery of the DE pursuant to the regulated futures contract is a closing transaction described in paragraph (a)(8) of this section that is treated as a sale of the regulated futures contract under paragraph (a)(9)(i) of this section. In addition, under paragraph (a)(9)(ii)(A)(3) of this section, J's delivery of digital asset DE pursuant to the settlement of the regulated futures contract is a sale of the underlying digital asset DE.

(c)Reporting by brokers.

(1)Requirement of reporting. Any broker shall, except as otherwise provided, report in the manner prescribed in this section.

(2)Sales required to be reported. Except as provided in paragraphs (c)(3), (c)(5), and (g) of this section, a broker is required to make a return of information for each sale by a customer of the broker if, in the ordinary course of a trade or business in which the broker

stands ready to effect sales to be made by others, the broker effects the sale or closes the short position opened by the sale.

(3) Exceptions.

(i) Sales effected for exempt recipients.

(A) In general. No return of information is required with respect to a sale effected for a customer that is an exempt recipient under paragraph (c)(3)(i)(B) of this section.

(B) Exempt recipient defined. The term exempt recipient means--

(1) A corporation as defined in section 7701(a)(3), whether domestic or foreign, except that this exclusion does not apply to sales of covered securities acquired on or after January 1, 2012, by an S corporation as defined in section 1361(a);

(2) An organization exempt from taxation under section 501(a) or an individual retirement plan;

(3) The United States or a State, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Commonwealth of Northern Mariana Islands, the U.S. Virgin Islands, or American Samoa, a political subdivision of any of the foregoing, a wholly owned agency or instrumentality of any one or more of the foregoing, or a pool or partnership composed exclusively of any of the foregoing;

(4) A foreign government, a political subdivision thereof, an international organization, or any wholly owned agency or instrumentality of the foregoing;

(5) A foreign central bank of issue as defined in §1.895-1(b)(1) (i.e., a bank that is by law or government sanction the principal authority, other than the government itself, issuing instruments intended to circulate as currency);

(6) A dealer in securities or commodities registered as such under the laws of the United States or a State;

(7) A futures commission merchant registered as such with the Commodity Futures Trading Commission;

(8) A real estate investment trust (as defined in section 856);

(9) An entity registered at all times during the taxable year under the Investment Company Act of 1940 (15 U.S.C. 80a-1, et seq.);

(10) A common trust fund (as defined in section 584(a));

(11) A financial institution such as a bank, mutual savings bank, savings and loan association, building and loan association, cooperative bank, homestead association, credit union, industrial loan association or bank, or other similar organization; or

(12) A U.S. digital asset broker as defined in paragraph (g)(4)(i)(A)(1) of this section other than an investment adviser registered either under the Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.) or with a state securities regulator and that investment adviser is not otherwise an exempt recipient in one or more of paragraphs (c)(3)(i)(B)(1) through (11) of this section.

(C) Exemption certificate.

(1) In general. Except as provided in paragraph (c)(3)(i)(C)(2) or (3) of this section, a broker may treat a person described in paragraph (c)(3)(i)(B) of this section as an exempt recipient based on a properly completed exemption certificate (as provided in §31.3406(h)-3 of this chapter); the broker's actual knowledge that the customer is a person described in paragraph (c)(3)(i)(B) of this section; or the applicable indicators described in §1.6049-4(c)(1)(ii)(A) through (M). A broker may require an exempt recipient to file a properly completed exemption certificate and may treat an exempt recipient that fails to do so as a recipient that is not exempt.

(2) Limitation for corporate customers. For sales of covered securities acquired on or after January 1, 2012, a broker may not treat a customer as an exempt recipient described in paragraph (c)(3)(i)(B)(1) of this section based on the indicators of corporate status described in §1.6049-4(c)(1)(ii)(A). However, for sales of all securities and for sales of digital assets, a broker may treat a customer as an exempt recipient if one of the following applies--

(i) The name of the customer contains the term insurance company, indemnity company, reinsurance company, or assurance company.

(ii) The name of the customer indicates that it is an entity listed as a per se corporation under §301.7701-2(b)(8)(i) of this chapter.

(iii) The broker receives a properly completed exemption certificate (as provided in §31.3406(h)-3 of this chapter) that asserts that the customer is not an S corporation as defined in section 1361(a).

(iv) The broker receives a withholding certificate described in §1.1441-1(e)(2)(i) that includes a certification that the person whose name is on the certificate is a foreign corporation.

(3) Limitation for U.S. digital asset brokers. For sales of digital assets, a broker may not treat a customer as an exempt recipient described in paragraph (c)(3)(i)(B)(12) of this section unless it obtains from that customer a certification on a properly completed exemption certificate (as provided in §31.3406(h)-3 of this chapter) that the customer is a U.S. digital asset broker described in paragraph (g)(4)(i)(A)(1) of this section.

(ii) Excepted sales. No return of information is required with respect to a sale effected by a broker for a customer if the sale is an excepted sale. The inclusion in this paragraph (c)(3)(ii) of a digital asset transaction is not intended to create an inference that the transaction is a sale of a digital asset under paragraph (a)(9)(ii) of this section. For this purpose, a sale is an excepted sale if it is--

(A) So designated by the Internal Revenue Service in a revenue ruling or revenue procedure (see §601.601(d)(2) of this chapter);

(B) A sale with respect to which a return is not required by applying the rules of §1.6049-4(c)(4) (by substituting the term a sale subject to reporting under section 6045 for the term an interest payment);

(C) A sale of digital asset units withheld by the broker from digital assets received by the customer in any underlying digital asset sale to pay for the customer's digital asset transaction costs;

(D) A sale for cash of digital asset units withheld by the broker from digital assets received by the customer in a sale of digital assets for different digital assets (underlying sale) that is undertaken immediately after the underlying sale to satisfy the broker's obligation under section 3406 of the Code to deduct and withhold a tax with respect to the underlying sale;

(E) A disposition of a digital asset representing loyalty program credits or loyalty program rewards offered by a provider of non-digital asset goods or services to its customers, in exchange for non-digital asset goods or services from the provider or other merchants participating with the developer as part of the program, provided that the digital asset is not capable of being transferred, exchanged, or otherwise used outside the cryptographically secured distributed ledger network of the loyalty program;

(F) A disposition of a digital asset created and designed for use within a video game or network of video games in exchange for different digital assets also created and designed for use within that video game or video game network, provided the disposed of digital assets are not capable of being transferred, exchanged, or otherwise used outside of the video game or video game network;

(G) Except in the case of digital assets cleared or settled on a limited-access regulated network as described in paragraph (c)(8)(iii) of this section, a disposition of a digital asset representing information with respect to payment instructions or the management of inventory that does not consist of digital assets, within a cryptographically secured distributed ledger (or network of interoperable distributed ledgers) that provides access only to users of such information provided the digital assets disposed of are not capable of being transferred, exchanged, or otherwise used outside such distributed ledger or network; or

(H) A disposition of a digital asset offered by a seller of goods or provider of services to its customers that can be exchanged or redeemed only by those customers for goods or services provided by such seller or provider if the digital asset is not capable of being transferred, exchanged, or otherwise used outside the cryptographically secured distributed ledger network of the seller or provider and cannot be sold or exchanged for cash, stored-value cards, or qualifying stablecoins at a market rate inside the seller or provider's distributed ledger network.

(iii) Multiple brokers.

(A) In general. If a broker is instructed to initiate a sale by a person that is an exempt recipient described in paragraph (c)(3)(i)(B)(6), (7), or (11) of this section, no return of information is required with respect to the sale by that broker. In a redemption of stock or retirement of securities, only the broker responsible for paying the holder redeemed or retired, or crediting the gross proceeds on the sale to that holder's account, is required to report the sale.

(B) Special rule for sales of digital assets. If more than one broker effects a sale of a digital asset on behalf of a customer, the broker responsible for first crediting the gross proceeds on the sale to the customer's wallet or account is required to report the sale. A broker that did not first credit the gross proceeds on the sale to the customer's wallet or account is not required to report the sale if prior to the sale that broker obtains a certification on a properly completed exemption certificate (as provided in §31.3406(h)-3 of this chapter) that the broker first crediting the gross proceeds on the sale is a person described in paragraph (c)(3)(i)(B)(12) of this section.

(iv) Cash on delivery transactions. In the case of a sale of securities through a cash on delivery account, a delivery versus payment account, or other similar account or transaction, only the broker that receives the gross proceeds from the sale against delivery of the securities sold is required to report the sale. If, however, the broker's customer is another broker (second-party broker) that is an exempt recipient, then only the second-party broker is required to report the sale.

(v) Fiduciaries and partnerships. No return of information is required with respect to a sale effected by a custodian or trustee in its capacity as such or a redemption of a partnership interest by a partnership, provided the sale is otherwise reported

by the custodian or trustee on a properly filed Form 1041, or the redemption is otherwise reported by the partnership on a properly filed Form 1065, and all Schedule K-1 reporting requirements are satisfied.

(vi) Money market funds.

(A) In general. No return of information is required with respect to a sale of shares in a regulated investment company that is permitted to hold itself out to investors as a money market fund under Rule 2a-7 under the Investment Company Act of 1940 (17 CFR 270.2a-7).

(B) Effective/applicability date. Paragraph (c)(3)(vi)(A) of this section applies to sales of shares in calendar years beginning on or after July 8, 2016. Taxpayers and brokers (as defined in §1.6045-1(a)(1)), however, may rely on paragraph (c)(3)(vi)(A) of this section for sales of shares in calendar years beginning before July 8, 2016.

(vii) Obligor payments on certain obligations. No return of information is required with respect to payments representing obligor payments on--

(A) Nontransferable obligations (including savings bonds, savings accounts, checking accounts, and NOW accounts);

(B) Obligations as to which the entire gross proceeds are reported by the broker on Form 1099 under provisions of the Internal Revenue Code other than section 6045 (including stripped coupons issued prior to July 1, 1982); or

(C) Retirement of short-term obligations (i.e., obligations with a fixed maturity date not exceeding 1 year from the date of issue) that have original issue discount, as defined in section 1273(a)(1), with or without application of the de minimis rule. The preceding sentence does not apply to a debt instrument issued on or after January 1, 2014. For a short-term obligation issued on or after January 1, 2014, see paragraph (c)(3)(xiii) of this section.

(D) Demand obligations that also are callable by the obligor and that have no premium or discount. The preceding sentence does not apply to a debt instrument issued on or after January 1, 2014.

(viii) Foreign currency. No return of information is required with respect to a sale of foreign currency other than a sale pursuant to a forward contract or regulated futures contract that requires delivery of foreign currency.

(ix) Fractional share. No return of information is required with respect to a sale of a fractional share of stock if the gross proceeds on the sale of the fractional share are less than \$20.

(x) Certain retirements. No return of information is required from an issuer or its agent with respect to the retirement of book entry or registered form obligations as to which the relevant books and records indicate that no interim transfers have

occurred. The preceding sentence does not apply to a debt instrument issued on or after January 1, 2014.

(xi) Short sales.

(A) In general. A broker may not make a return of information under this section for a short sale of a security entered into on or after January 1, 2011, until the year a customer delivers a security to satisfy the short sale obligation. The return must be made without regard to the constructive sale rule in section 1259 or to section 1233(h). In general, the broker must report on a single return the information required by paragraph

(d)(2)(i)(A) of this section for the short sale except that the broker must report the date the short sale was closed in lieu of the sale date. In applying paragraph (d)(2)(i)(A) of this section, the broker must report the relevant information regarding the security sold to open the short sale and the adjusted basis of the security delivered to close the short sale and whether any gain or loss on the closing of the short sale is long-term or short-term (within the meaning of section 1222).

(B) Short sale closed by delivery of a noncovered security. A broker is not required to report adjusted basis and whether any gain or loss on the closing of the short sale is long-term or short-term if the short sale is closed by delivery of a noncovered security and the return so indicates. A broker that chooses to report this information is not subject to penalties under section 6721 or 6722 for failure to report this information correctly if the broker indicates on the return that the short sale was closed by delivery of a noncovered security.

(C) Short sale obligation transferred to another account. If a short sale obligation is satisfied by delivery of a security transferred into a customer's account accompanied by a transfer statement (as described in §1.6045A-1(b)(7)) indicating that the security was borrowed, the broker receiving custody of the security may not file a return of information under this section. The receiving broker must furnish a statement to the transferor that reports the amount of gross proceeds received from the short sale, the date of the sale, the quantity of shares, units, or amounts sold, and the Committee on Uniform Security Identification Procedures (CUSIP) number of the sold security (if applicable) or other security identifier number that the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin (see §601.601(d)(2) of this chapter). The statement to the transferor also must include the transfer date, the name and contact information of the receiving broker, the name and contact information of the transferor, and sufficient information to identify the customer. If the customer subsequently closes the short sale obligation in the transferor's account with non-borrowed securities, the transferor must make the return of information required by this section. In that event, the transferor must take into account the information furnished under this paragraph (c)(3)(xi)(C) on the return unless the transferor knows that the information furnished under this paragraph (c)(3)(xi)(C) is incorrect or incomplete. A failure to report

correct information that arises solely from this reliance is deemed to be due to reasonable cause for purposes of penalties under sections 6721 and 6722. See § 301.6724-1(a)(1) of this chapter.

(xii) Cross reference. For an exception for certain sales of agricultural commodities and certificates issued by the Commodity Credit Corporation after January 1, 1993, see paragraph (c)(7) of this section.

(xiii) Short-term obligations issued on or after January 1, 2014. No return of information is required under this section with respect to a sale (including a retirement) of a short-term obligation, as described in section 1272(a)(2)(C), that is issued on or after January 1, 2014.

(xiv) Certain redemptions. No return of information is required under this section for payments made by a stock transfer agent (as described in §1.6045-1(b)(iv)) with respect to a redemption of stock of a corporation described in section 1297(a) with respect to a shareholder in the corporation if--

(A) The stock transfer agent obtains from the corporation a written certification signed by a person authorized to sign on behalf of the corporation, that states that the corporation is described in section 1297(a) for each calendar year during which the stock transfer agent relies on the provisions of this paragraph (c)(3)(xiv), and the stock transfer agent has no reason to know that the written certification is unreliable or incorrect;

(B) The stock transfer agent identifies, prior to payment, the corporation as a participating FFI (including a reporting Model 2 FFI) (as defined in §1.6049-4(f)(10) or (14), respectively), or reporting Model 1 FFI (as defined in §1.6049-4(f)(13)), in accordance with the requirements of §1.1471-3(d)(4) (substituting the terms stock transfer agent and corporation for the terms withholding agent and payee, respectively) and validates that status annually;

(C) The stock transfer agent obtains a written certification representing that the corporation shall report the payment as part of its account holder reporting obligations under chapter 4 of the Code or an applicable IGA (as defined in §1.6049-4(f)(7)) and provided the stock transfer agent does not know that the corporation is not reporting the payment as required. The paying agent may rely on the written certification until there is a change in circumstances or the paying agent knows or has reason to know that the statement is unreliable or incorrect. A stock transfer agent that knows that the corporation is not reporting the payment as required under chapter 4 of the Code or an applicable IGA must report all payments reportable under this section that it makes during the year in which it obtains such knowledge; and

(D) The stock transfer agent is not also acting in its capacity as a custodian, nominee, or other agent of the payee with respect to the payment.

(4)Examples. The following examples illustrate the application of the rules in paragraph (c)(3) of this section:

(i)Example (1). P, an individual who is not an exempt recipient, places an order with B, a person generally known in the investment community to be a federally registered broker/dealer, to effect a sale of P's stock in a publicly traded corporation. B, in turn, places an order to sell the stock with C, a second broker, who will execute the sale. B discloses to C the identity of the customer placing the order. C is not required to make a return of information with respect to the sale because C was instructed by B, an exempt recipient as defined in paragraph (c)(3)(i)(B)(6) of this section, to initiate the sale. B is required to make a return of information with respect to the sale because P is B's customer and is not an exempt recipient.

(ii)Example (2). Assume the same facts as in paragraph (c)(4)(i) of this section (the facts in Example 1) except that B has an omnibus account with C so that B does not disclose to C whether the transaction is for a customer of B or for B's own account. C is not required to make a return of information with respect to the sale because C was instructed by B, an exempt recipient as defined in paragraph (c)(3)(i)(B)(6) of this section, to initiate the sale. B is required to make a return of information with respect to the sale because P is B's customer and is not an exempt recipient.

(iii)Example (3). D, an individual who is not an exempt recipient, enters into a cash on delivery stock transaction by instructing K, a federally registered broker/dealer, to sell stock owned by D, and to deliver the proceeds to L, a custodian bank. Concurrently with the above instructions, D instructs L to deliver D's stock to K (or K's designee) against delivery of the proceeds from K. The records of both K and L with respect to this transaction show an account in the name of D. Pursuant to paragraph (h)(1) of this section, D is considered the customer of K and L. Under paragraph (c)(3)(iv) of this section, K is not required to make a return of information with respect to the sale because K will pay the gross proceeds to L against delivery of the securities sold. L is required to make a return of information with respect to the sale because D is L's customer and is not an exempt recipient.

(iv)Example (4). Assume the same facts as in paragraph (c)(4)(iii) of this section (the facts in Example 3) except that E, a federally registered investment adviser, instructs K to sell stock owned by D and to deliver the proceeds to L. Concurrently with the above instructions, E instructs L to deliver D's stock to K (or K's designee) against delivery of the proceeds from K. The records of both K and L with respect to the transaction show an account in the name of D. Pursuant to paragraph (h)(1) of this section, D is considered the customer of K and L. Under paragraph (c)(3)(iv) of this section, K is not required to make a return of information with respect to the sale because K will pay the gross proceeds to L against delivery of the securities sold. L is required to make a return of information with respect to the sale because D is L's customer and is not an exempt recipient.

(v)Example (5). Assume the same facts as in paragraph (c)(4)(iv) of this section (the facts in Example 4) except that the records of both K and L with respect to the transaction show an account in the name of E. Pursuant to paragraph (h)(1) of this section, E is considered the customer of K and L. Under paragraph (c)(3)(iv) of this section, K is not required to make a return of information with respect to the sale because K will pay the gross proceeds to L against delivery of the securities sold. L is required to make a return of information with respect to the sale because E is L's customer and is not an exempt recipient. E is required to make a return of information with respect to the sale because D is E's customer and is not an exempt recipient.

(vi)Example (6). F, an individual who is not an exempt recipient, owns bonds that are held by G, a federally registered broker/dealer, in an account for F with G designated as nominee for F. Upon the retirement of the bonds, the gross proceeds are automatically credited to the account of F. G is required to make a return of information with respect to the retirement because G is the broker responsible for making payments of the gross proceeds to F.

(vii)Example (7). On June 24, 2010, H, an individual who is not an exempt recipient, opens a short sale of stock in an account with M, a broker. Because the short sale is entered into before January 1, 2011, paragraph (c)(3)(xi) of this section does not apply. Under paragraphs (c)(2) and (j) of this section, M must make a return of information for the year of the sale regardless of when the short sale is closed.

(viii)Example (8).

(A) Facts. On August 25, 2011, H opens a short sale of stock in an account with M, a broker. H closes the short sale with M on January 25, 2012, by purchasing stock of the same corporation in the account in which H opened the short sale and delivering the stock to satisfy H's short sale obligation. The stock H purchased is a covered security.

(B) Analysis. Because the short sale is entered into on or after January 1, 2011, under paragraphs (c)(2) and (c)(3)(xi) of this section, the broker closing the short sale must make a return of information reporting the sale for the year in which the short sale is closed. Thus, M is required to report the sale for 2012. M must report on a single return the relevant information for the sold stock, the adjusted basis of the purchased stock, and whether any gain or loss on the closing of the short sale is long-term or short-term (within the meaning of section 1222). Thus, M must report the information about the short sale opening and closing transactions on a single return for taxable year 2012.

(ix)Example (9).

(A) Facts. Assume the same facts as in paragraph (c)(4)(viii) of this section (the facts in Example 8) except that H also has an account with N, a broker, and satisfies the short sale obligation with M by borrowing stock of the same corporation from N and transferring custody of the borrowed stock from N to M. N indicates on the transfer statement that the transferred stock was borrowed in accordance with §1.6045A-1(b)(7).

(B) Analysis with respect to M. Under paragraph (c)(3)(xi)(C) of this section, M may not file the return of information required under this section. M must furnish a statement to N that reports the gross proceeds from the short sale on August 25, 2011, the date of the sale, the quantity of shares sold, the CUSIP number or other security identifier number of the sold stock, the transfer date, the name and contact information of M and N, and information identifying H such as H's name and the account number from which H transferred the borrowed stock.

(C) Analysis with respect to N. N must report the gross proceeds from the short sale, the date the short sale was closed, the adjusted basis of the stock acquired to close the short sale, and whether any gain or loss on the closing of the short sale is long-term or short-term (within the meaning of section 1222) on the return of information N is required to file under paragraph (c)(2) of this section when H closes the short sale in the account with N.

(x) Example (10). Excepted sale of digital assets representing payment instructions.

(A) Facts. BNK is a bank that uses a cryptographically secured distributed ledger technology system (DLT) that provides access only to other member banks to securely transfer payment instructions that are not securities or commodities described in paragraph (c)(8)(iii) of this section. These payment instructions are exchanged between member banks through the use of digital asset DX.

Dispositions of DX do not give rise to sales of other digital assets within the cryptographically secured distributed ledger (or network of interoperable distributed ledgers) and are not capable of being transferred, exchanged, or otherwise used, outside the DLT system. BNK disposes of DX using the DLT system to make a payment instruction to another bank within the DLT system.

(B) Analysis. BNK's disposition of DX using the DLT system to make a payment instruction to another bank within the DLT system is a disposition of a digital asset representing payment instructions that are not securities or commodities within a cryptographically secured distributed ledger that provides access only to users of such information. Because DX cannot be transferred, exchanged, or otherwise used, outside of DLT, and because the payment instructions are not dual classification assets under paragraph (c)(8)(iii) of this section, BNK's disposition of DX is an excepted sale under paragraph (c)(3)(ii)(G) of this section.

(xi) Example (11). Excepted sale of digital assets representing a loyalty program.

(A) Facts. S created a loyalty program as a marketing tool to incentivize customers to make purchases at S's store, which sells non-digital asset goods and services. Customers that join S's loyalty program receive 1 unit of digital asset LY at the end of each month for every \$1 spent in S's store. Units of LY can only be disposed of within S's cryptographically secured distributed ledger (DLY) in exchange for goods or services provided by S or merchants, such as M, that have contractually agreed to provide goods or services to S's loyalty customers in exchange for a predetermined payment from S. Customer C is a participant in S's loyalty program and has earned 1,000 units of LY. C redeems 1,000 units of LY in exchange for non-digital asset goods in M's store.

(B) Analysis. Customer C's disposition of LY using the DLY system in exchange for non-digital asset goods in M's store is a disposition of a digital asset representing loyalty program credits in exchange for non-digital asset goods or

services from M, a merchant participating with S's loyalty program. Because LY cannot be transferred, exchanged, or otherwise used outside of DLY, C's disposition of LY is an excepted sale under paragraph (c)(3)(ii)(E) of this section.

(xii)Example (12). Multiple brokers.

(A) Facts. L, an individual who is not an exempt recipient, maintains digital assets with HWP, a U.S. corporation that provides hosted wallet services. L also maintains an account at CRX, a U.S. corporation that operates a digital asset trading platform and that also provides custodial services for digital assets held by L. L places an order with HWP to exchange 10 units of digital asset DE for 100 units of digital asset RN. To effect the order, HWP places the order with CRX and communicates to CRX that the order is on behalf of L. Prior to initiating the transaction, CRX obtains a certification from HWP on a properly completed exemption certificate (as provided in § 31.3406(h)-3 of this chapter) that HWP is a U.S. digital asset broker described in paragraph (g)(4)(i)(A)(1) of this section. CRX completes the transaction and transfers the 100 units of RN to HWP. HWP, in turn, credits L's account with the 100 units of RN.

(B) Analysis. HWP is the broker responsible for first crediting the gross proceeds on the sale to L's wallet. Accordingly, because CRX has obtained from HWP a certification on a properly completed exemption certificate (as provided in §31.3406(h)-3 of this chapter) that HWP is a U.S. digital asset broker described in paragraph (g)(4)(i)(A)(1) of this section, CRX is not required to make a return of information with respect to the sale of 100 units of RN effected on behalf of L under paragraph (c)(3)(iii)(B) of this section. In contrast, because HWP is the broker that credits the 100 units of RN to L's account, HWP is required to make a return of information with respect to the sale.

(xiii)Example (13). Multiple brokers.

(A) Facts. The facts are the same as in paragraph (c)(4)(xii)(A) of this section (the facts in Example 12), except that CRX deposits the 100 units of RN into L's account with CRX after the transaction is effected by CRX. Thereafter, L transfers the 100 units of RN in L's account with CRX to L's account with HWP. Prior to the transaction, HWP obtained a certification from CRX on a properly completed exemption certificate (as provided in §31.3406(h)-3 of this chapter) that CRX is a U.S. digital asset broker described in paragraph (g)(4)(i)(A)(1) of this section.

(B) Analysis. Under paragraph (c)(3)(iii)(B) of this section, despite being instructed by HWP to make the sale of 100 units of RN on behalf of L, CRX is required to make a return of information with respect to the sale effected on behalf of L because CRX is the broker that credits the 100 units of RN to L's account. In contrast, HWP is not required to make a return of information with respect to the sale effected on behalf of L because HWP obtained from CRX a certification on a properly completed exemption certificate (as provided in §31.3406(h)-3 of this chapter) that CRX is a U.S. digital asset broker described in paragraph (g)(4)(i)(A)(1) of this section.

(5)Form of reporting for regulated futures contracts.

(i) In general. A broker effecting closing transactions in regulated futures contracts shall report information with respect to regulated futures contracts solely

in the manner prescribed in this paragraph (c)(5). In the case of a sale that involves making delivery pursuant to a regulated futures contract, only the profit or loss on the contract is reported as a transaction with respect to regulated futures contracts under this paragraph (c)(5); such sales are, however, subject to reporting under paragraph (d)(2)(i)(A). The information required under this paragraph (c)(5) must be reported on a calendar year basis, unless the broker is advised in writing by an account's owner that the owner's taxable year is other than a calendar year and the broker elects to report with respect to regulated futures contracts in such account on the basis of the owner's taxable year. The following information must be reported as required by Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, or any successor form, with respect to regulated futures contracts held in a customer's account:

(A) The name, address, and taxpayer identification number of the customer.

(B) The net realized profit or loss from all regulated futures contracts closed during the calendar year.

(C) The net unrealized profit or loss in all open regulated futures contracts at the end of the preceding calendar year.

(D) The net unrealized profit or loss in all open regulated futures contracts at the end of the calendar year.

(E) The aggregate profit or loss from regulated futures contracts ((b) + (d)-(c)).

(F) Any other information required by Form 1099-B. See 17 CFR 1.33. For this purpose, the end of a year is the close of business of the last business day of such year. In reporting under this paragraph (c)(5), the broker shall make such adjustments for commissions that have actually been paid and for option premiums as are consistent with the books of the broker. No additional returns of information with respect to regulated futures contracts so reported are required.

(ii) Determination of profit or loss from foreign currency contracts. A broker effecting a closing transaction in foreign currency contracts (as defined in section 1256(g)) shall report information with respect to such contracts in the manner prescribed in paragraph (c)(5)(i) of this section. If a foreign currency contract is closed by making or taking delivery, the net realized profit or loss for purposes of paragraph (c)(5)(i)(B) of this section is determined by comparing the contract price to the spot price for the contract currency at the time and place specified in the contract. If a foreign currency contract is closed by entry into an offsetting contract, the net realized profit or loss for purposes of paragraph (c)(5)(i)(B) of this section is determined by comparing the contract price to the price of the offsetting contract. The net unrealized profit or loss in a foreign currency contract for purposes of paragraphs (c)(5)(i)(C) and (D) of this section is determined by comparing the contract price to the broker's price for similar contracts at the close of business of the relevant year.

(iii) Examples. The following examples illustrate the application of the rules in this paragraph (c)(5):

Example (1). On October 30, 1984, A, an individual who is a calendar year taxpayer not otherwise exempt from reporting, buys one March 1985 put on Treasury Bond futures (i.e. A purchases an option to enter into a short regulated futures contract of \$100,000 face value U.S. Treasury bonds). A pays \$500 for the option. On December 19, 1984, A, through B, exercises the option and enters into the futures contract. On February 15, 1985, A, through B, enters into a closing transaction with respect to the futures contract. These are A's only transactions in the account. Since B's books list A's regulated futures contract on December 31, 1984, B must report for A, for 1984, the unrealized profit or loss in the contract as of December 31, 1984. For 1985, B will report the same amount for A as the unrealized profit or loss at the beginning of 1985. The return of information for 1985 will also include the gain or loss from the contract in the net realized profit or loss from all regulated futures contracts sales during 1985.

Example (2). The facts are the same as in Example (1) except that A does not enter into the closing transaction, but instead, on March 20, 1985, B informs A that A will make delivery under the contract. On March 22, 1985, A does so; consequently, A becomes entitled to the gross proceeds. B enters the closing transaction on its books on March 20, 1985. In addition to the returns of information required by paragraph (c)(5), as described in Example (1), B must report the March 22, 1985 delivery as a separate transaction. B may use as the sale date for the delivery either March 20, 1985, the date the transaction is entered on the books of B, or March 22, 1985, the date A becomes entitled to the gross proceeds. B may not deduct the \$500 premium from the gross proceeds with respect to the March 22, 1985 delivery.

Example (3). The facts are the same as in Example (2) except that A buys a call on Treasury bond futures and takes delivery. B will supply the returns of information required by paragraph (c)(5), as described in Example (1). B is not required to make a return of information with respect to A's taking delivery.

Example (4). C, an individual who is a calendar year taxpayer not otherwise exempt from reporting, has an account with D, a broker. C trades both regulated futures contracts and forward contracts through C's account with D. D must report C's regulated futures contracts on an annual basis as required by paragraph (c)(5). With respect to C's forward contracts, D may elect to use the calendar month, quarter, or year as D's reporting period as provided in paragraph (c)(6).

(6) Reporting periods and filing groups.

(i) Reporting period.

(A) In general. A broker may elect to use the calendar month, quarter, or year as the broker's reporting period. A broker may separately elect a reporting period for each filing group.

(B) Election. For each calendar year, a broker shall elect a reporting period by filing Forms 1096 and 1099 in the manner elected. A different

reporting period may be subsequently elected by filing in the manner subsequently elected, provided no duplication of reported transactions results.

(ii) Filing group.

(A) In general. A broker may elect to group customers or customer accounts by office, branch, department or other method of operational classification and separately file Forms 1096 and 1099 for each filing group.

(B) Election. For each calendar year, a broker shall elect filing groups by filing Forms 1096 and 1099 in the manner elected. Different filing groups may be subsequently elected by filing in the manner subsequently elected, provided no duplication of reported transactions results.

(iii) Example. The following example illustrates the rules of this paragraph (c)(6): Example. The A department of C, a broker, files a separate report for each month of 1984, whereas the B department of C files one report for all of 1984. C makes no other reports or returns of information under section 6045 for 1984. C had thereby elected two filing groups for 1984, the A department and the B department. The A department has the calendar month as its 1984 reporting period, whereas the B department has the calendar year as its 1984 reporting period. The same result would occur if A and B were offices or branches of C.

(7) Exception for certain sales of agricultural commodities and commodity certificates.

(i) Agricultural commodities. No return of information is required under section 6045 for a spot or forward sale of an agricultural commodity. This paragraph (c)(7)(i) does not except from reporting sales of agricultural commodities pursuant to regulated futures contracts, sales of derivative interests in agricultural commodities, or sales described in paragraph (c)(7)(iii) of this section.

(ii) Commodity Credit Corporation certificates. Except as otherwise provided in a revenue ruling or revenue procedure, no return of information is required under section 6045 with respect to a sale of a commodity certificate issued by the Commodity Credit Corporation under 7 CFR 1470.4 (1990).

(iii) Sales involving designated warehouses. Paragraph (c)(7)(i) of this section does not apply to any sale involving a warehouse receipt for an agricultural commodity issued by a designated warehouse for an agricultural commodity of the type for which the warehouse is a designated warehouse.

(iv) Definitions. For purposes of this paragraph (c)(7):

(A) Agricultural commodity. An "agricultural commodity" includes, but is not limited to, a commodity within the meaning of paragraph (a)(5) of this section that is a grain, feed, livestock, meat, oil seed, timber, or fiber.

(B) Spot sale. A spot sale is a sale that results in the substantially contemporaneous delivery of a commodity.

(C) Forward sale. A forward sale is a sale pursuant to a forward contract within the meaning of paragraph (a)(7) of this section.

(D) Designated warehouse. A designated warehouse is a warehouse, depository, or other similar entity, designated by a commodity exchange under 7 CFR 1.43 (1992), in which or out of which a particular type of agricultural commodity is deliverable in satisfaction of a regulated futures contract.

(8) Special coordination rules for reporting digital assets that are dual classification assets.

(i) General rule for reporting dual classification assets as digital assets. Except in the case of a sale described in paragraph (c)(8)(ii), (iii), or (iv) of this section, for any sale of a digital asset under paragraph (a)(9)(ii) of this section that also constitutes a sale under paragraph (a)(9)(i) of this section, the broker must treat the transaction as set forth in paragraphs (c)(8)(i)(A) through (D). For purposes of this section, an asset described in this paragraph (c)(8)(i) is a dual classification asset.

(A) The broker must report the sale only as a sale of a digital asset under paragraph (a)(9)(ii) of this section and not as a sale under paragraph (a)(9)(i) of this section.

(B) The broker must treat the sale only as a sale of a specified security under paragraph (a)(14)(v) or (vi) of this section, as applicable, and not as a specified security under paragraph (a)(14)(i), (ii), (iii), or (iv) of this section.

(C) The broker must apply the reporting rules set forth in paragraphs (d)(2)(i)(B) through (D) of this section, as applicable, for the information required to be reported for such sale.

(D) For a sale of a dual classification asset that is treated as a tokenized security, the broker must report the information set forth in paragraph (c)(8)(i)(D)(3) of this section.

(1) A tokenized security is a dual classification asset that:

(i) Provides the holder with an interest in another asset that is a security described in paragraph (a)(3) of this section, other than a security that is also a digital asset; or

(ii) Constitutes an asset the offer and sale of which was registered with the U.S. Securities and Exchange Commission, other than an asset treated as a security for securities law purposes solely as an investment contract.

(2) For purposes of paragraph (c)(8)(i)(D)(1) of this section, a qualifying stablecoin is not treated as a tokenized security.

(3) In the case of a sale of a tokenized security, the broker must report the information set forth in paragraph (d)(2)(i)(B)(6) of this section, as applicable. In the case of a tokenized security that is a

specified security under paragraph (a)(14)(i), (ii), (iii), or (iv) of this section, the broker must also report the information set forth in paragraph (d)(2)(i)(D)(4) of this section.

(ii) Reporting of dual classification assets that constitute contracts covered by section 1256(b) of the Code. For a sale of a digital asset on or after January 1, 2025, that is also a contract covered by section 1256(b), the broker must report the sale only under paragraph (c)(5) of this section including, as appropriate, the application of the rules in paragraph (m)(3) of this section.

(iii) Reporting of dual classification assets cleared or settled on a limited-access regulated network.

(A) General rule. The coordination rule of paragraph (c)(8)(i) of this section does not apply to any sale of a dual classification asset that is a digital asset solely because the sale of such asset is cleared or settled on a limited-access regulated network described in paragraph (c)(8)(iii)(B) of this section. In such case, the broker must report such sale only as a sale under paragraph (a)(9)(i) of this section and not as a sale under paragraph (a)(9)(ii) of this section and must treat the sale as a sale of a specified security under paragraph (a)(14)(i), (ii), (iii), or (iv) of this section, to the extent applicable, and not as a sale of a specified security under paragraph (a)(14)(v) or (vi) of this section. For all other purposes of this section including transfers, a dual classification asset that is a digital asset solely because it is cleared or settled on a limited-access regulated network is not treated as a digital asset and is not reportable as a digital asset. See paragraph (d)(2)(i)(A) of this section for the information required to be reported for such a sale.

(B) Limited-access regulated network. For purposes of this section, a limited-access regulated network is described in paragraph (c)(8)(iii)(B)(1) or (2) of this section.

(1) A cryptographically secured distributed ledger, or network of interoperable cryptographically secured distributed ledgers, that provides clearance or settlement services and that either:

(i) Provides access only to persons described in one or more of paragraphs (c)(3)(i)(B)(6), (7), (10), or (11) of this section; or

(ii) Is provided exclusively to its participants by an entity that has registered with the U.S. Securities and Exchange Commission as a clearing agency, or that has received an exemption order from the U.S. Securities and Exchange Commission as a clearing agency, under section 17A of the Securities Exchange Act of 1934.

(2) A cryptographically secured distributed ledger controlled by a single person described in one of paragraphs (c)(3)(i)(B)(6) through (11) of this section that permits the ledger to be used solely by itself and its affiliates, and therefore does not provide access to the ledger to third parties such as customers or investors, in order to clear or settle sales of assets.

(iv) Reporting of dual classification assets that are interests in money market funds. The coordination rule of paragraph (c)(8)(i) of this section does not apply to any sale of a dual classification asset that is a share in a regulated investment company that is permitted to hold itself out to investors as a money market fund under Rule 2a-7 under the Investment Company Act of 1940 (17 CFR 270.2a-7). In such case, the broker must treat such sale only as a sale under paragraph (a)(9)(i) of this section and not as a sale under paragraph (a)(9)(ii) of this section. See paragraph (c)(3)(vi) of this section, providing that no return of information is required for shares described in the first sentence of this paragraph (c)(8)(iv).

(v)Example. Digital asset securities.

(A) Facts. Brokers registered under the securities laws of the United States have formed a large network (broker network) that maintains accounts for customers seeking to purchase and sell stock. The broker network clears and settles sales of this stock using a cryptographically secured distributed ledger (DLN) that provides clearance or settlement services to the broker network. DLN may not be used by any person other than a registered broker in the broker network.

(B) Analysis. DLN is a limited-access regulated network described in paragraph (c)(8)(iii)(B)(1)(i) of this section because it is a cryptographically secured distributed ledger

that provides clearance or settlement services and that provides access only to brokers described in paragraph (c)(3)(i)(B)(6) of this section. Additionally, sales of stock cleared on DLN are sales of securities under paragraph (a)(9)(i) of this section and sales of digital assets under paragraph (a)(9)(ii) of this section. Accordingly, sales of stock cleared on DLN are described in paragraph (c)(8)(iii) of this section and the coordination rule of paragraph (c)(8)(i) of this section does not apply to these sales. Therefore, the sales of stock cleared on DLN are reported only under paragraph (a)(9)(i) of this section. See paragraph (d)(2)(i)(A) of this section for the method for reporting the information required to be reported for such a sale.

(d)Information required.

(1)In general. A broker that is required to make a return of information under paragraph (c) of this section during a reporting period is required to report for each filing group on a separate Form 1096, "Annual Summary and Transmittal of U.S. Information Returns," or any successor form, the information required by the form in the manner and number of copies required by the form.

(2)Transactional reporting.

(i) Required information.

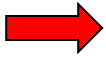
(A) General rule for sales described in paragraph (a)(9)(i) of this section. Except as provided in paragraph (c)(5) of this section, for each sale described in paragraph (a)(9)(i) of this section for which a broker is required to make a return of information under this section, the broker must report on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, or any successor form, the name, address, and taxpayer identification number of the customer, the property sold, the Committee on Uniform Security Identification Procedures (CUSIP) number of the security sold (if applicable) or other security identifier number that the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin (see §601.601(d)(2) of this chapter), the adjusted basis of the security sold, whether any gain or loss with respect to the security sold is long-term or short-term (within the meaning of section 1222 of the Code), the gross proceeds of the sale, the sale date, and other information required by the form in the manner and number of copies required by the form. In addition, for a sale of a covered security on or after January 1, 2014, a broker must report on Form 1099-B whether any gain or loss is ordinary. See paragraph (m) of this section for additional rules related to options and paragraph (n) of this section for additional rules related to debt instruments. See paragraph (c)(8) of this section for rules related to sales of securities or sales of commodities under paragraph (a)(9)(i) of this section that are also sales of digital assets under paragraph (a)(9)(ii) of this section.

(B) Required information for digital asset transactions. Except in the case of a sale of a qualifying stablecoin or a specified nonfungible token for which the broker reports in the manner set forth in paragraph (d)(10) of this section and subject to the exception described in paragraph (d)(2)(i)(C) of this section for sales of digital assets described in paragraph (a)(9)(ii)(D) of this section (sales effected by processors of digital asset payments), for each sale of a digital asset described in paragraph (a)(9)(ii) of this section for which a broker is required to make a return of information under this section, the broker must report on Form 1099-DA, Digital Asset Proceeds From Broker Transactions, or any successor form, in the manner required by such form or instructions the following information:

- (1) The name, address, and taxpayer identification number of the customer;
- (2) The name and number of units of the digital asset sold;
- (3) The sale date;
- (4) The gross proceeds amount (after reduction for the allocable digital asset transaction costs as defined and allocated pursuant to paragraph (d)(5)(iv) of this section);
- (5) Whether the sale was for cash, stored-value cards, or in exchange for services or other property;
- (6) In the case of a sale that is reported as a digital asset sale pursuant to the rule in paragraph (c)(8)(i) of this section and is described as a tokenized security in paragraph (c)(8)(i)(D) of this section, the broker must also report to the extent required by Form 1099-DA or instructions: the CUSIP number of the security sold (if applicable) or other security identifier number that the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin (see §601.601(d)(2) of this chapter); any information required under paragraph (m) of this section (related to options); any information required under paragraph (n) of this section (related to debt instruments); and any other information required by the form or instructions;
- (7) For each such sale of a digital asset that was held by the broker in a hosted wallet on behalf of a customer and was previously transferred into an account at the broker (transferred-in digital asset), the broker must also report the date of such transfer in and the number of units transferred in by the customer;
- (8) Whether the broker took into account customer-provided acquisition information from the customer or the customer's agent as described in paragraph (d)(2)(ii)(B)(4) of this section when determining the identification of the units sold (without regard to

whether the broker's determination with respect to the particular unit sold was derived from the broker's own records or from that information); and

(9) Any other information required by the form or instructions.



(C) Exception for certain sales effected by processors of digital asset payments. A broker is not required to report any information required by paragraph (d)(2)(i)(B) of this section with respect to a sale of a digital asset described in paragraph (a)(9)(ii)(D) of this section (sales effected by processors of digital asset payments) by a customer if the gross proceeds (after reduction for the allocable digital asset transaction costs) from all such sales of digital assets effected by that broker for the year by the customer do not exceed \$600. Gross proceeds from sales of qualifying stablecoins or specified nonfungible tokens that are reported in the manner set forth in paragraph (d)(10) of this section are not included in determining if this \$600 threshold has been met. For the rules applicable for determining who the customer is for purposes of calculating this \$600 threshold in the case of a joint account, see paragraph (d)(10)(v) of this section.

(D) Acquisition information for sales of certain digital assets. Except in the case of a sale of a qualifying stablecoin or a specified nonfungible token for which the broker reports in the manner set forth in paragraph (d)(10) of this section, for each sale described in paragraph (a)(9)(ii) of this section on or after January 1, 2026, of a covered security defined in paragraph (a)(15)(i)(H), (J), or (K) of this section that was acquired by the broker for the customer and held in the customer's account, for which a broker is required to make a return of information under paragraph (d)(2)(i)(B) of this section, the broker must also report the following information:

(1) The adjusted basis of the covered security sold calculated in accordance with paragraph (d)(6) of this section;

(2) The date such covered security was purchased, and whether any gain or loss with respect to the covered security sold is long-term or short-term in accordance with paragraph (d)(7) of this section;

(3) For purpose of determining the information required in paragraphs (d)(2)(i)(D)(1) through (2) in the case of an option and any asset delivered in settlement of an option, the broker must apply any applicable rules set forth in paragraph (m) of this section; and

(4) In the case of a sale that is reported as a digital asset sale pursuant to the rule in paragraph (c)(8)(i) of this section and is described as a tokenized security in paragraph (c)(8)(i)(D) of this section, see paragraphs (d)(6)(iii)(A)(2) and (d)(7)(ii)(A)(2) of this

section regarding the basis and holding period adjustments required for wash sales, paragraph (d)(6)(v) of this section for rules regarding the application of the average basis method, paragraph (m) of this section for rules related to options, paragraph (n) of this section for rules related to debt instruments, and any other information required by the form or instructions.

(ii) Specific identification of specified securities.

(A) In general. Except as provided in §1.1012-1(e)(7)(ii), for a specified security described in paragraph (a)(14)(i) of this section sold on or after January 1, 2011, or for a specified security described in paragraph (a)(14)(ii) of this section sold on or after January 1, 2014, a broker must report a sale of less than the entire position in an account of a specified security that was acquired on different dates or at different prices consistently with a customer's adequate and timely identification of the security to be sold. See §1.1012-1(c). If the customer does not provide an adequate and timely identification for the sale, the broker must first report the sale of securities in the account for which the broker does not know the acquisition or purchase date followed by the earliest securities purchased or acquired, whether covered securities or noncovered securities.

(B) Identification of digital assets sold, disposed of, or transferred. For a specified security described in paragraph (a)(14)(v) of this section, a broker must determine the unit sold, disposed of, or transferred, if less than the entire position in an account of such specified security that was acquired on different dates or at different prices, consistently with the adequate identification of the digital asset to be sold, disposed of, or transferred.

(1) No identification of units by customer. In the case of multiple units of the same digital asset that are held by a broker for a customer, if the customer does not provide the broker with an adequate identification of which units of a digital asset are sold, disposed of, or transferred by the date and time of the sale, disposition, or transfer, and the broker does not have adequate transfer-in date records and does not have or take into account customer-provided acquisition information as defined by paragraph (d)(2)(ii)(B)(4) of this section, then the broker must first report the sale, disposition, or transfer of units that were not acquired by the broker for the customer. After the disposition of all such units of digital assets, the broker must treat units as sold, disposed of, or transferred in order of time from the earliest date on which units of the same digital asset were acquired by the customer. See paragraph (d)(2)(ii)(B)(4) of this section for circumstances under which a broker may use information provided by the customer or the customer's agent to determine when units of a digital asset were acquired by the customer. If the broker does not receive customer-provided acquisition information with respect to digital assets that were transferred into the customer's account or otherwise does not

take such information into account, the broker must treat those units as acquired as of the date and time of the transfer.

(2) Adequate identification of units by customer. Except as provided in paragraph (d)(2)(ii)(B)(3) of this section, when multiple units of the same digital asset are left in the custody of the broker, an adequate identification occurs if, no later than the date and time of the sale, disposition, or transfer, the customer specifies to the broker the particular units of the digital asset to be sold, disposed of, or transferred by reference to any identifier that the broker designates as sufficiently specific to determine the units sold, disposed of, or transferred. For example, a customer's reference to the purchase date and time of the units to be sold may be designated by the broker as sufficiently specific to determine the units sold, disposed of, or transferred if no other unidentified units were purchased at that same purchase date and time or purchase price. To the extent permitted by paragraph (d)(2)(ii)(B)(4) of this section, a broker may take into account customer-provided acquisition information with respect to transferred-in digital assets for purposes of enabling a customer to make a sufficiently specific reference. A standing order or instruction for the specific identification of digital assets is treated as an adequate identification made at the date and time of sale, disposition, or transfer. In the case of a broker that offers only one method of making a specific identification, such method is treated as a standing order or instruction within the meaning of the prior sentence.

(3) Special rule for the identification of certain units withheld from a transaction. Notwithstanding paragraphs (d)(2)(ii)(B)(1) and (2) of this section, in the case of a sale of digital assets in exchange for other digital assets differing materially in kind or in extent and for which the broker withholds units of the digital assets received for either the broker's obligation to deduct and withhold a tax under section 3406, or for payment of the customer's digital asset transaction costs as defined in paragraph (d)(5)(iv)(A) of this section, the customer is deemed to have made an adequate identification, within the meaning of paragraph (d)(2)(ii)(B)(2) of this section, for such withheld units as from the units received in the underlying transaction regardless of any other adequate identification within the meaning of paragraph (d)(2)(ii)(B)(2) of this section designating other units of the same digital asset as the units sold, disposed of, or transferred.

(4) Customer-provided acquisition information for digital assets. For purposes of identifying which units are sold, disposed of, or transferred under paragraph (d)(2)(ii)(A) of this section, a broker is permitted, but not required, to take into account customer-provided acquisition information. For purposes of this section, customer-

provided acquisition information means reasonably reliable information, such as the date and time of acquisition of units of a digital asset, provided by a customer or the customer's agent to the broker no later than the date and time of a sale, disposition, or transfer. Reasonably reliable information includes purchase or trade confirmations at other brokers or immutable data on a public distributed ledger. Solely for purposes of penalties under sections 6721 and 6722, a broker that takes into account customer-provided acquisition information for purposes of identifying which units are sold, disposed of, or transferred is deemed to have relied upon this information in good faith if the broker neither knows nor has reason to know that the information is incorrect. See §301.6724-1(c)(6) of this chapter.

(iii) Penalty relief for reporting information not subject to reporting.

(A) Noncovered securities. A broker is not required to report adjusted basis and the character of any gain or loss for the sale of a noncovered security if the return identifies the sale as a sale of a noncovered security. A broker that chooses to report this information for a noncovered security is not subject to penalties under section 6721 or 6722 of the Code for failure to report this information correctly if the return identifies the sale as a sale of a noncovered security. For purposes of this paragraph (d)(2)(iii)(A), a broker must treat a security for which a broker makes the single-account election described in §1.1012-1(e)(11)(i) as a covered security.

(B) Gross proceeds from digital assets sold before applicability date. A broker is not required to report the gross proceeds from the sale of a digital asset as described in paragraph (a)(9)(ii) of this section if the sale is effected prior to January 1, 2025. A broker that chooses to report this information on either the Form 1099-B, or when available the Form 1099-DA, pursuant to paragraph (d)(2)(i)(B) of this section is not subject to penalties under section 6721 or 6722 for failure to report this information correctly. See paragraph (d)(2)(iii)(A) of this section for the reporting of adjusted basis and the character of any gain or loss for the sale of a noncovered security that is a digital asset.

(iv) Information from other parties and other accounts.

(A) Transfer and issuer statements. When reporting a sale of a covered security, a broker must take into account all information, other than the classification of the security (such as stock), furnished on a transfer statement (as described in §1.6045A-1) and all information furnished or deemed furnished on an issuer statement (as described in §1.6045B-1) unless the statement is incomplete or the broker has actual knowledge that it is incorrect. A broker may treat a customer as a minority shareholder when taking the information on an issuer statement into account unless the broker knows that the customer is a majority shareholder and the issuer statement reports the action's effect on the basis of majority shareholders. A failure to report correct information that arises solely from reliance on

information furnished on a transfer statement or issuer statement is deemed to be due to reasonable cause for purposes of penalties under sections 6721 and 6722. See §301.6724-1(a)(1) of this chapter.

(B) Other information with respect to securities. Except in the case of a covered security that is described in paragraph (a)(15)(i)(H), (J), or (K) of this section, a broker is permitted, but not required, to take into account information about a covered security other than what is furnished on a transfer statement or issuer statement, including any information the broker has about securities held by the same customer in other accounts with the broker. For purposes of penalties under sections 6721 and 6722, a broker that takes into account information with respect to securities described in the previous sentence that is received from a customer or third party other than information furnished on a transfer statement or issuer statement is deemed to have relied upon this information in good faith if the broker neither knows nor has reason to know that the information is incorrect. See §301.6724-1(c)(6) of this chapter.

(v) Failure to receive a complete transfer statement for securities. A broker that has not received a complete transfer statement as required under §1.6045A-1(a)(3) for a transfer of a specified security described in paragraphs (a)(14)(i) through (iv) of this section must request a complete statement from the applicable person effecting the transfer unless, under §1.6045A-1(a), the transferor has no duty to furnish a transfer statement for the transfer. The broker is only required to make this request once. If the broker does not receive a complete transfer statement after requesting it, the broker may treat the security as a noncovered security upon its subsequent sale or transfer. A transfer statement for a covered security is complete if, in the view of the receiving broker, it provides sufficient information to comply with this section when reporting the sale of the security. A transfer statement for a noncovered security is complete if it indicates that the security is a noncovered security.

(vi) Reporting by other parties after a sale of securities.

(A) Transfer statements. If a broker receives a transfer statement indicating that a security is a covered security after the broker reports the sale of the security, the broker must file a corrected return within thirty days of receiving the statement unless the broker reported the required information on the original return consistently with the transfer statement.

(B) Issuer statements. If a broker receives or is deemed to receive an issuer statement after the broker reports the sale of a covered security, the broker must file a corrected return within thirty days of receiving the issuer statement unless the broker reported the required information on the original return consistently with the issuer statement.

(C) Exception. A broker is not required to file a corrected return under this paragraph (d)(2)(vi) if the broker receives the transfer statement or issuer statement more than three years after the broker filed the return.

(vii) Examples. The following examples illustrate the rules of this paragraph (d)(2). Unless otherwise indicated, all events and transactions described in paragraphs (d)(2)(vii)(C) and (D) of this section (Examples 3 and 4) occur on or after January 1, 2026.

(A)

Example (1).

(1) Facts. On February 22, 2012, K sells 100 shares of stock of C, a corporation, at a loss in an account held with F, a broker. On March 15, 2012, K purchases 100 shares of C stock for cash in an account with G, a different broker. Because K acquires the stock purchased on March 15, 2012, for cash in an account after January 1, 2012, under paragraph (a)(15) of this section, the stock is a covered security. K asks G to increase K's adjusted basis in the stock to account for the application of the wash sale rules under section 1091 to the loss transaction in the account held with F.

(2) Analysis. Under paragraph (d)(2)(iv)(B) of this section, G is not required to take into account the information provided by K when subsequently reporting the adjusted basis and whether any gain or loss on the sale is long-term or short-term. If G chooses to take this information into account, under paragraph (d)(2)(iv)(B) of this section, G is deemed to have relied upon the information received from K in good faith for purposes of penalties under sections 6721 and 6722 if G neither knows nor has reason to know that the information provided by K is incorrect.

(B)

Example (2).

(1) Facts. L purchases shares of stock of a single corporation in an account with F, a broker, on April 17, 1969, April 17, 2012, April 17, 2013, and April 17, 2014. In January 2015, L sells all the stock.

(2) Analysis. Under paragraph (d)(2)(i)(A) of this section, F must separately report the gross proceeds and adjusted basis attributable to the stock purchased in 2014, for which the gain or loss on the sale is short-term, and the combined gross proceeds and adjusted basis attributable to the stock purchased in 2012 and 2013, for which the gain or loss on the sale is long-term. Under paragraph (d)(2)(iii)(A) of this section, F must also separately report the gross proceeds attributable to the stock purchased in 1969 as the sale of noncovered securities in order to avoid treatment of this sale as the sale of covered securities.

(C)

Example (3). Ordering rule.

(1) Facts. On August 1, Year 1, TP opens a hosted wallet account at CRX, a digital asset broker that owns and operates a digital asset trading platform, and purchases within the account 10 units of digital asset DE for \$9 per unit. On January 1, Year 2, TP opens a hosted wallet account at BEX, another digital asset broker that owns and operates a digital asset trading platform, and purchases within this account 20 units of digital asset DE for \$5 per unit. On August 1, Year 3, TP transfers the digital asset units held in TP's hosted wallet account with CRX into TP's hosted wallet account with BEX. On September 1, Year 3, TP directs BEX to sell 10 units of DE but does not specify which units are to be sold and does not provide to BEX purchase date and time information with respect to the DE units transferred into TP's account with BEX. BEX has adequate transfer-in

date records with respect to TP's transfer of the 10 units of DE on August 1, Year 3. BEX effects the sale on TP's behalf for \$10 per unit.

(2) Analysis. TP did not make an adequate identification of the units to be sold in a sale of DE units that was less than TP's entire position in digital asset DE. Therefore, BEX must treat the units of digital asset DE sold according to the ordering rule provided in paragraph (d)(2)(ii)(B) of this section. Pursuant to that rule, because BEX has adequate transfer-in date records with respect to TP's transfer of the 10 units of DE on August 1, Year 3, and because TP did not give BEX customer-provided acquisition information as defined by paragraph (d)(2)(ii)(B)(4) of this section with respect to the units transferred into TP's account at BEX, the units sold must be attributed to the earliest units of digital asset DE acquired by TP. Additionally, because TP did not give BEX customer-provided acquisition information, BEX must treat those units as acquired as of the date and time of the transfer (August 1, Year 3). Accordingly, the 10 units sold must be attributed to 10 of the 20 DE units purchased by TP on January 1, Year 2, in the BEX account because based on the information known to BEX these units were purchased prior to the date (August 1, Year 3) when TP transferred the other units purchased at CRX into the account. The DE units are digital assets that were acquired on or after January 1, 2026, for TP by a broker (BEX) providing custodial services, and, thus, constitute covered securities under paragraph (a)(15)(i)(J) of this section. Accordingly, in addition to the gross proceeds and other information required to be reported under paragraph (d)(2)(i)(B) of this section, BEX must also report the adjusted basis of the DE units sold, the date the DE units were purchased, and whether any gain or loss with respect to the DE units sold is long-term or short-term as required by paragraph (d)(2)(i)(D) of this section. Finally, because TP did not give BEX customer-provided acquisition information, TP will be required to treat different units as sold under the rules provided by §1.1012-1(j)(3) from those units that BEX treats as sold under this section unless TP adopts a standing order to follow the ordering rule result required by BEX. See §1.1012-1(j)(5)(iv) (Example 4).

(D)

Example (4). Ordering rule.

(1) Facts. The facts are the same as in paragraph (d)(2)(vii)(C)(1) of this section (the facts in Example 3), except on September 1, Year 3, TP's agent (CRX) provides BEX with purchase confirmations showing that the 10 units TP transferred into TP's account at BEX were purchased on August 1, Year 1. BEX neither knows nor has reason to know that the information supplied by CRX is incorrect and chooses to take this information into account for purposes of identifying which of the TP's units are sold, disposed of, or transferred.

(2) Analysis. Because TP did not make an adequate identification of the units to be sold in a sale of DE units that was less than TP's entire position in digital asset DE, BEX must treat the units of digital asset DE sold as the earliest units of digital asset DE acquired by TP. The purchase confirmations (showing a purchase date of August 1, Year 1) for the 10 units that were transferred into TP's account at BEX constitute customer-provided acquisition information under paragraph (d)(2)(ii)(B)(4) of this section, which BEX is permitted, but not required, to take into account. Accordingly, BEX is permitted to treat the 10 units sold by TP as the 10 DE units TP purchased on August 1, Year 1 (and transferred into BEX's

account on August 1, Year 3), because these were the earliest units of digital asset DE acquired by TP. The DE units are digital assets that were acquired on or after January 1, 2026, for TP by a broker (CRX) providing custodial services, and, thus, constitute covered securities under paragraph (a)(15)(i)(J) of this section. However, because these covered securities were not acquired and thereafter held by the selling broker (BEX), BEX is not required to report the acquisition information required by paragraph (d)(2)(i)(D) of this section. Finally, because TP provided the purchase information with respect to the transferred in units to BEX, the units determined as sold by BEX are the same units that TP must treat as sold under § 1.1012-1(j)(3)(i). See § 1.1012-1(j)(5)(iv) (Example 4).

(3) Sales between interest payment dates. For each sale of a debt instrument prior to maturity with respect to which a broker is required to make a return of information under this section, a broker must show separately on Form 1099 the amount of accrued and unpaid qualified stated interest as of the sale date that must be reported by the customer as interest income under § 1.61-7(d). See § 1.1273-1(c) for the definition of qualified stated interest. Such interest information must be shown in the manner and at the time required by Form 1099 and section 6049.

(4) Sale date.

(i) In general. For sales of property that are reportable under this section other than digital assets, a broker must report a sale as occurring on the date the sale is entered on the books of the broker.

(ii) Special rules for digital asset sales. For sales of digital assets that are effected when digitally recorded using cryptographically secured distributed ledger technology, such as a blockchain or similar technology, the broker must report the date of sale as the date when the transactions are recorded on the ledger. For sales of digital assets that are effected by a broker and recorded in the broker's books and records (commonly referred to as an off-chain transaction) and not directly on a distributed ledger or similar technology, the broker must report the date of sale as the date when the transactions are recorded on its books and records without regard to the date that the transactions may be later recorded on the distributed ledger or similar technology.

(5) Gross proceeds.

(i) In general. Except as otherwise provided in paragraph (d)(5)(ii) of this section with respect to digital asset sales, for purposes of this section, gross proceeds on a sale are the total amount paid to the customer or credited to the customer's account as a result of the sale reduced by the amount of any qualified stated interest reported under paragraph (d)(3) of this section and increased by any amount not paid or credited by reason of repayment of margin loans. In the case of a closing transaction (other than a closing transaction related to an option) that results in a loss, gross proceeds are the amount debited from the customer's account. For sales before January 1, 2014, a broker may, but is not required to, reduce gross proceeds by the amount of commissions and transfer taxes, provided the treatment chosen is consistent with the books of the broker. For sales on or after January 1, 2014, a broker must reduce gross proceeds by the amount of commissions and transfer taxes related to the sale of the security. For securities

sold pursuant to the exercise of an option granted or acquired before January 1, 2014, a broker may, but is not required to, take the option premiums into account in determining the gross proceeds of the securities sold, provided the treatment chosen is consistent with the books of the broker. For securities sold pursuant to the exercise of an option granted or acquired on or after January 1, 2014, or for the treatment of an option granted or acquired on or after January 1, 2014, see paragraph (m) of this section. A broker must report the gross proceeds of identical stock (within the meaning of §1.1012-1(e)(4)) by averaging the proceeds of each share if the stock is sold at separate times on the same calendar day in executing a single trade order and the broker executing the trade provides a single confirmation to the customer that reports an aggregate total price or an average price per share. However, a broker may not average the proceeds if the customer notifies the broker in writing of an intent to determine the proceeds of the stock by the actual proceeds per share and the broker receives the notification by January 15 of the calendar year following the year of the sale. A broker may extend the January 15 deadline but not beyond the due date for filing the return required under this section.

(ii) Sales of digital assets. The rules contained in paragraphs (d)(5)(ii)(A) and (B) of this section apply solely for purposes of this section.

(A) Determining gross proceeds. Except as otherwise provided in this section, gross proceeds from the sale of a digital asset are equal to the sum of the total cash paid to the customer or credited to the customer's account from the sale plus the fair market value of any property or services received (including services giving rise to digital asset transaction costs), reduced by the amount of digital asset transaction costs, as defined and allocated under paragraph (d)(5)(iv) of this section. In the case of a debt instrument issued in exchange for the digital asset and subject to §1.1001-1(g), the amount realized attributable to the debt instrument is determined under §1.1001-7(b)(1)(iv) rather than by reference to the fair market value of the debt instrument. See paragraph (d)(5)(iv)(C) of this section for a special rule setting forth how cascading digital asset transaction costs are to be allocated in certain exchanges of one digital asset for a different digital asset.

(1) Determining fair market value. Fair market value is measured at the date and time the transaction was effected. Except as provided in the next sentence, in determining the fair market value of services or property received or credited in exchange for a digital asset, the broker must use a reasonable valuation method that looks to contemporaneous evidence of value, such as the purchase price of the services, goods or other property, the exchange rate, and the U.S. dollar valuation applied by the broker to effect the exchange. In determining the fair market value of services giving rise to digital asset transaction costs, the broker must look to the fair market value of the digital assets used to pay for such transaction costs. In determining the fair market value of a digital asset, the broker may perform its own valuations or rely on valuations performed by a digital asset data aggregator as defined in paragraph (d)(5)(ii)(B) of this section, provided such valuations

apply a reasonable valuation method for digital assets as described in paragraph (d)(5)(ii)(A)(3) of this section.

(2) Consideration value not readily ascertainable. When valuing services or property (including digital assets) received in exchange for a digital asset, the value of what is received should ordinarily be identical to the value of the digital asset exchanged. If there is a disparity between the value of services or property received and the value of the digital asset exchanged, the gross proceeds received by the customer is the fair market value at the date and time the transaction was effected of the services or property, including digital assets, received. If the broker or digital asset data aggregator, in the case of digital assets, reasonably determines that the fair market value of the services or property received cannot be determined with reasonable accuracy, the fair market value of the received services or property must be determined by reference to the fair market value of the transferred digital asset at the time of the exchange. See § 1.1001-7(b)(4). If the broker or digital asset data aggregator, in the case of a digital asset, reasonably determines that neither the value of the received services or property nor the value of the transferred digital asset can be determined with reasonable accuracy, the broker must report that the received services or property has an undeterminable value.

(3) Reasonable valuation method for digital assets. A reasonable valuation method for digital assets is a method that considers and appropriately weighs the pricing, trading volumes, market capitalization and other factors relevant to the valuation of digital assets traded through digital asset trading platforms. A valuation method is not a reasonable valuation method for digital assets if it, for example, gives an underweight effect to exchange prices lying near the median price value, an overweight effect to digital asset trading platforms having low trading volume, or otherwise inappropriately weighs factors associated with a price that would make that price an unreliable indicator of value.

(B) Digital asset data aggregator. A digital asset data aggregator is an information service provider that provides valuations of digital assets based on any reasonable valuation method.

(iii) Digital asset transactions effected by processors of digital asset payments. The amount of gross proceeds under paragraph (d)(5)(ii) of this section received by a party who sells a digital asset under paragraph (a)(9)(ii)(D) of this section (effected by a processor of digital asset payments) is equal to: the sum of the amount paid in cash, and the fair market value of the amount paid in digital assets by that processor to a second party, plus any digital asset transaction costs and other fees charged to the second party that are withheld (whether withheld from the digital assets transferred by the first party or withheld from the amount due to the second party); and reduced by the amount of digital asset transaction costs

paid by or withheld from the first party, as defined and allocated under the rules of paragraph (d)(5)(iv) of this section.

(iv) Definition and allocation of digital asset transaction costs--

(A) Definition. The term digital asset transaction costs means the amount paid in cash or property (including digital assets) to effect the sale, disposition, or acquisition of a digital asset. Digital asset transaction costs include transaction fees, transfer taxes, and commissions.

(B) General allocation rule. Except as provided in paragraph (d)(5)(iv)(C) of this section, in the case of a sale or disposition of digital assets, the total digital asset transaction costs paid by the customer are allocable to the sale or disposition of the digital assets.

(C) Special rule for allocation of certain cascading digital asset transaction costs. In the case of a sale of one digital asset in exchange for another digital asset differing materially in kind or in extent (original transaction) and for which digital assets received in the original transaction are withheld to pay digital asset transaction costs, the total digital asset transaction costs paid by the taxpayer to effect both the original transaction and the disposition of the withheld digital assets are allocable exclusively to the disposition of digital assets in the original transaction.

(v) Examples. The following examples illustrate the rules of this paragraph (d)(5). Unless otherwise indicated, all events and transactions in the following examples occur on or after January 1, 2025.

(A)

Example (1). Determination of gross proceeds when digital asset transaction costs paid in digital assets.

(1) Facts. CRX, a digital asset broker, buys, sells, and exchanges various digital assets for cash or different digital assets on behalf of its customers. For this service, CRX charges a transaction fee equal to 1 unit of CRX's proprietary digital asset CM per transaction. Using the services of CRX, customer K, an individual not otherwise exempt from reporting, purchases 15 units of CM and 10 units of digital asset DE. On April 28, Year 1, when the CM units have a value of \$2 per unit, the DE units have a value of \$8 per unit, and digital asset ST units have a value of \$0.80 per unit, K instructs CRX to exchange K's 10 units of DE for 100 units of digital asset ST. CRX charges K one unit of CM as a transaction fee for the exchange.

(2) Analysis. Under paragraph (d)(5)(iv)(A) of this section, K has digital asset transaction costs of \$2, which is the value of 1 CM unit. Under paragraph (d)(5)(ii)(A) of this section, the gross proceeds amount that CRX must report from K's sale of the 10 units of DE is equal to the fair market value of the 100 units of ST that K received (less the value of the CM unit sold to pay the digital asset transaction cost to CRX and allocable to the sale of the DE units). The fair market value of the 100 units of ST at the date and time the transaction was effected is equal to \$80 (the product of \$0.80 and 100 units). Accordingly, CRX must report gross proceeds of \$78 from K's sale of the 10 units of DE. CRX must also report the gross proceeds from K's sale of one CM unit to pay for CRX's

services. Under paragraph (d)(5)(ii)(A) of this section, the gross proceeds from K's sale of one unit of CM is equal to the fair market value of the digital assets used to pay for such transaction costs. Accordingly, CRX must report \$2 as gross proceeds from K's sale of one unit of CM.

(B)

Example (2). Determination of gross proceeds when digital asset transaction costs are withheld from transferred digital assets.

(1) Facts. K owns a total of 10 units of digital asset A that K deposits with broker BEX that provides custodial services for digital assets. K directs BEX to effect the exchange of 10 units of K's digital asset A for 20 units of digital asset B. At the time of the exchange, each unit of digital asset A has a fair market value of \$2 and each unit of digital asset B has a fair market value of \$1. BEX charges a fee of \$2 per transaction, which BEX withholds from the units of the digital asset A transferred. At the time of the transaction, BEX withholds 1 unit of digital asset A. TP exchanges the remaining 9 units of digital asset A for 18 units of digital asset B.

(2) Analysis. The withholding of 1 unit of digital asset A is a sale of a digital asset for BEX's services within the meaning of paragraph (a)(9)(ii)(C) of this section. Under paragraph (d)(5)(iv)(A) of this section, K has digital asset transaction costs of \$2. Under paragraph (d)(5)(iv)(C) of this section, TP must allocate such costs to the disposition of the 10 units of digital asset A. Under paragraphs (d)(5)(ii)(A) and (d)(5)(iv)(C) of this section, TP's gross proceeds from the sale of the 10 units of digital asset A is \$18, which is the excess of the fair market value of the 18 units of digital asset B received (\$18) and the fair market value of the broker services received (\$2) as of the date and time of the transaction over the allocated digital asset transaction costs (\$2). Accordingly, BEX must report \$18 as gross proceeds from K's sale of 10 units of digital asset A.

(C)

Example (3). Determination of gross proceeds when digital asset transaction costs are withheld from acquired digital assets in an exchange of digital assets.

(1) Facts. The facts are the same as in paragraph (d)(5)(v)(B)(1) of this section (the facts in Example 2), except that BEX requires its payment be withheld from the units of the digital asset acquired. At the time of the transaction, BEX withholds 3 units of digital asset B, two units of which effect the exchange of digital asset A for digital asset B and one unit of which effects the disposition of digital asset B for payment of the transaction fees.

(2) Analysis. The withholding of 3 units of digital asset B is a disposition of digital assets for BEX's services within the meaning of paragraph (a)(9)(ii)(C) of this section. Under paragraph (d)(5)(iv)(A) of this section, K has digital asset transaction costs of \$3. Under paragraph (d)(5)(iv)(C) of this section, K must allocate such costs to the disposition of the 10 units of digital asset A. Under paragraphs (d)(5)(ii)(A) and (d)(5)(iv)(C) of this section, K's gross proceeds from the sale of the 10 units of digital asset A is \$17, which is the excess of the fair market value of the 20 units of digital asset B received (\$20) as of the date and time of the transaction over the allocated digital asset transaction costs (\$3). K's gross proceeds from the sale of the 3 units of digital asset B used to pay digital asset transaction costs is \$3, which is the fair market value of BEX's services

received at the time of the transaction. Accordingly, BEX must report \$17 as gross proceeds from K's sale of 10 units of digital asset A. Additionally, pursuant to paragraph (c)(3)(ii)(C) of this section, BEX is not required to report K's sale of the 3 withheld units of digital asset B because the 3 units of digital asset B were units withheld from digital assets received by K to pay for K's digital asset transaction costs.

(D)

Example (4). Determination of gross proceeds.

(1) Facts. CPP, a processor of digital asset payments, offers debit cards to its customers who hold digital asset FE in their accounts with CPP. The debit cards allow CPP's customers to use digital assets held in accounts with CPP to make payments to merchants who do not accept digital assets. CPP charges its card holders a 2% transaction fee for purchases made using the debit card and sets forth in its terms and conditions the process CPP will use to determine the exchange rate provided at the date and time of its customers' transactions. CPP has issued a debit card to B, an individual not otherwise exempt from reporting, who wants to make purchases using digital assets. B transfers 1,000 units of FE into B's account with CPP. B then uses the debit card to purchase merchandise from a U.S. merchant STR for \$1,000. An exchange rate of 1 FE = \$2 USD is applied to effect the transaction, based on the exchange rate at that date and time and pursuant to B's account agreement. To settle the transaction, CPP removes 510 units of FE from B's account equal to \$1,020 (\$1,000 plus a 2% transaction fee equal to \$20). CPP then pays STR \$1,000 in cash.

(2) Analysis. B paid \$20 of digital asset transaction costs as defined in paragraph (d)(5)(iv)(A) of this section. Under paragraph (d)(5)(iii) of this section, the gross proceeds amount that CPP must report with respect to B's sale of the 510 units of FE to purchase the merchandise is \$1,000, which is the sum of the amount of cash paid by CPP to STR plus the \$20 digital asset transaction costs withheld by CPP, reduced by the \$20 digital asset transaction costs as allocated under paragraph (d)(5)(iv)(B) of this section. CPP's payment of cash to STR is also a payment card transaction under §1.6050W-1(b) subject to reporting under §1.6050W-1(a).

(E)

Example (5). Determination of gross proceeds.

(1) Facts. STR, a U.S. merchant corporation, advertises that it accepts digital asset FE as payment for its merchandise that is not digital assets. Customers making purchases at STR using digital asset FE are directed to create an account with CXX, a processor of digital asset payments, which, pursuant to a preexisting agreement with STR, accepts digital asset FE in return for payments in cash made to STR. CXX charges a 2% transaction fee, which is paid by STR and not STR's customers. S, an individual not otherwise exempt from reporting, seeks to purchase merchandise from STR for \$10,000. To effect payment, S is directed by STR to CXX, with whom S has an account. An exchange rate of 1 FE = \$2 USD is applied to effect the purchase transaction. Pursuant to this exchange rate, S then transfers 5,000 units of FE to CXX, which, in turn, pays STR \$9,800 (\$10,000 less a 2% transaction fee equal to \$200).

(2) Analysis. Under paragraph (d)(5)(iii) of this section, the gross proceeds amount that CXX must report with respect to this sale is \$10,000, which is the

sum of the amount in U.S. dollars paid by CPP to STR (\$9,800) plus the \$200 digital asset transaction costs withheld from the payment due to STR. Because S does not have any digital asset transaction costs, the \$9,800 amount is not reduced by any digital asset transaction costs charged to STR because that fee was not paid by S. In addition, CXX's payment of cash to STR (plus the withheld transaction fee) may be reportable under §1.6050W-1(a) as a third party network transaction under §1.6050W-1(c) if CXX is a third party settlement organization under the definition in §1.6050W-1(c)(2).

(F)

Example (6). Determination of gross proceeds in a real estate transaction.

(1) Facts. J, an unmarried individual not otherwise exempt from reporting, enters into a contractual agreement with B, an individual not otherwise exempt from reporting, to exchange J's principal residence, Blackacre, which has a fair market value of \$300,000, for cash in the amount of \$75,000 and units of digital asset DE with a value of \$225,000. Prior to closing, B transfers the digital asset portion of the payment directly from B's wallet to J's wallet. At closing, J certifies to the closing agent (CA) that J received the DE units required to be paid under the contractual agreement. CA is also a real estate reporting person under § 1.6045-4, and a digital asset middleman under paragraph (a)(21) of this section with respect to the transaction.

(2) Analysis. CA is required to report on Form 1099-DA the gross proceeds received by B in exchange for B's sale of digital assets in this transaction. The gross proceeds amount to be reported under paragraph (d)(5)(ii)(A) of this section is equal to \$225,000, which is the \$300,000 value of Blackacre less \$75,000 that B paid in cash. In addition, under §1.6045-4, CA is required to report on Form 1099-S the \$300,000 of gross proceeds received by J (\$75,000 cash and \$225,000 in digital assets) as consideration for J's disposition of Blackacre.

(6) Adjusted basis.

(i) In general. For purposes of this section, the adjusted basis of a specified security is determined from the initial basis under paragraph (d)(6)(ii) of this section as of the date the specified security is acquired in an account, increased by the commissions and transfer taxes related to its sale to the extent not accounted for in gross proceeds as described in paragraph (d)(5) of this section. A broker is not required to consider transactions or events occurring outside the account except for an organizational action taken by an issuer of a specified security other than a digital asset during the period the broker holds custody of the security (beginning with the date that the broker receives a transferred security) reported on an issuer statement (as described in §1.6045B-1) furnished or deemed furnished to the broker. Except as otherwise provided in paragraph (n) of this section, a broker is not required to consider customer elections. For rules related to the adjusted basis of a debt instrument, see paragraph (n) of this section.

(ii) Initial basis.

(A) Cost basis for specified securities acquired for cash. For a specified security acquired for cash, the initial basis generally is the total amount of cash paid by the customer or credited against the customer's account for the specified security, increased by the commissions, transfer taxes, and

digital asset transaction costs related to its acquisition. A broker may, but is not required to, take option premiums into account in determining the initial basis of securities purchased or acquired pursuant to the exercise of an option granted or acquired before January 1, 2014. For rules related to options granted or acquired on or after January 1, 2014, see paragraph (m) of this section. A broker may, but is not required to, increase initial basis for income recognized upon the exercise of a compensatory option or the vesting or exercise of other equity-based compensation arrangements, granted or acquired before January 1, 2014. A broker may not increase initial basis for income recognized upon the exercise of a compensatory option or the vesting or exercise of other equity-based compensation arrangements, granted or acquired on or after January 1, 2014, or upon the vesting or exercise of a digital asset-based compensation arrangement granted or acquired on or after January 1, 2025. A broker must report the basis of identical stock (within the meaning of §1.1012-1(e)(4)) by averaging the basis of each share if the stock is purchased at separate times on the same calendar day in executing a single trade order and the broker executing the trade provides a single confirmation to the customer that reports an aggregate total price or an average price per share. However, a broker may not average the basis if the customer timely notifies the broker in writing of an intent to determine the basis of the stock by the actual cost per share in accordance with §1.1012-1(c)(1)(ii).

(B) Basis of transferred securities.

(1) In general. The initial basis of a security transferred to an account is generally the basis reported on the transfer statement (as described in §1.6045A-1).

(2) Securities acquired by gift. If a transfer statement indicates that the security is acquired as a gift, a broker must apply the relevant basis rules for property acquired by gift in determining the initial basis, but is not required to adjust basis for gift tax. A broker must treat the initial basis as equal to the gross proceeds from the sale determined under paragraph (d)(5) of this section if the relevant basis rules for property acquired by gift prevent recognizing both gain and loss, or if the relevant basis rules treat the initial basis of the security as its fair market value as of the date of the gift and the broker neither knows nor can readily ascertain this value. If the transfer statement did not report a date for the gift, the broker must treat the settlement date for the transfer as the date of the gift.

(C) Digital assets acquired in exchange for property.

(1) In general. This paragraph (d)(6)(ii)(C) applies solely for purposes of this section. For a digital asset acquired in exchange for property that is not a debt instrument described in §1.1012-1(h)(1)(v) or another digital asset differing materially in kind or extent, the initial basis of the digital asset is the fair market value of the digital asset received at the time of the exchange, increased by any digital asset transaction costs allocable to the acquisition of

the digital asset. The fair market value of the digital asset received must be determined using a reasonable valuation method as of the date and time the exchange transaction was effected. In valuing the digital asset received, the broker may perform its own valuations or rely on valuations performed by a digital asset data aggregator as defined in paragraph (d)(5)(ii)(B) of this section, provided such valuations apply a reasonable valuation method for digital assets as described in paragraph (d)(5)(ii)(A)(3) of this section. If the broker or digital asset data aggregator reasonably determines that the fair market value of the digital asset received cannot be determined with reasonable accuracy, the fair market value of the digital asset received must be determined by reference to the property transferred at the time of the exchange. If the broker or digital asset data aggregator reasonably determines that neither the value of the digital asset received nor the value of the property transferred can be determined with reasonable accuracy, the fair market value of the received digital asset must be treated as zero. For a digital asset acquired in exchange for another digital asset differing materially in kind or extent, see paragraph (d)(6)(ii)(C)(2) of this section. For a digital asset acquired in exchange for a debt instrument described in §1.1012-1(h)(1)(v), the initial basis of the digital asset attributable to the debt instrument is the amount determined under §1.1012-1(h)(1)(v).

(2) Allocation of digital asset transaction costs. Except as provided in the following sentence, in the case of a sale of one digital asset in exchange for another digital asset differing materially in kind or extent, the total digital asset transaction costs paid by the customer are allocable to the digital assets disposed. In the case of a transaction described in paragraph (d)(5)(iv)(C) of this section, the digital asset transaction costs paid by the customer to acquire the digital assets received are allocable as provided therein.

(iii) Adjustments for wash sales.

(A) Securities in the same account or wallet.

(1) In general. A broker must apply the wash sale rules under section 1091 if both the sale and purchase transactions are of covered securities, other than covered securities reportable as digital assets after the application of paragraph (c)(8) of this section, with the same CUSIP number or other security identifier number that the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin (see §601.601(d)(2) of this chapter). When reporting the sale transaction that triggered the wash sale, the broker must report the amount of loss that is disallowed by section 1091 in addition to gross proceeds and adjusted basis. The broker must increase the basis of the purchased covered security by the amount of loss disallowed on the sale transaction.

(2) Special rules for covered securities that are also digital assets. In the case of a purchase or sale of a tokenized security described in paragraph (c)(8)(i)(D) of this section that is a stock or security for purposes of section 1091, a broker must apply the wash sale rules under section 1091 if both the sale and purchase transactions are of covered securities with the same CUSIP number or other security identifier number that the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin (see §601.601(d)(2) of this chapter). When reporting the sale transaction that triggered the wash sale, the broker must report the amount of loss that is disallowed by section 1091 in addition to gross proceeds and adjusted basis. The broker must increase the basis of the purchased covered security by the amount of loss disallowed on the sale transaction.

(B) Covered securities in different accounts or wallets. A broker is not required to apply paragraph (d)(6)(iii)(A) of this section if the covered securities are purchased and sold from different accounts or wallets, if the purchased covered security is transferred to another account or wallet before the wash sale, or if the covered securities are treated as held in separate accounts under §1.1012-1(e). A covered security is not purchased in an account or wallet if it is purchased in another account or wallet and transferred into the account or wallet.

(C) Effect of election under section 475(f)(1). A broker is not required to apply paragraph (d)(6)(iii)(A) of this section to securities in an account if a customer has in writing both informed the broker that the customer has made a valid and timely election under section 475(f)(1) and identified the account as solely containing securities subject to the election. For purposes of this paragraph (d)(6)(iii)(C), a writing may be in electronic format. If a customer subsequently informs a broker that the election no longer applies to the customer or the account, the broker must prospectively apply paragraph (d)(6)(iii)(A) of this section but is not required to apply paragraph (d)(6)(iii)(A) of this section for the period covered by the customer's prior instruction to the broker. A taxpayer that is not a trader in securities within the meaning of section 475(f)(1) does not become a trader in securities, or create an inference that it is a trader in securities, by notifying a broker that it has made a valid and timely election under section 475(f)(1).

(D) Reporting at or near the time of sale. If a wash sale occurs after a broker has completed a return or statement reporting a sale of a covered security, the broker must redetermine adjusted basis under this paragraph (d)(6)(iii) and, if the return or statement included information inconsistent with this redetermination, correct the return or statement by the applicable original due date set forth in this section for the return or statement.

(iv) Certain adjustments not taken into account. A broker is not required to apply section 1259 (regarding constructive sales), section 475 (regarding the mark-to-

market method of accounting), section 1296 (regarding the mark-to-market method of accounting for marketable stock in a passive foreign investment company), or section 1092 (regarding straddles) when reporting adjusted basis.

(v) Average basis method adjustments. For a covered security for which basis may be determined by the average basis method, a broker must compute basis using the average basis method if a customer validly elects that method for the covered securities sold or, in the absence of any instruction from the customer, if the broker chooses that method as its default basis determination method. See §1.1012-1(e). The previous sentence applies to any stock that is also a tokenized security described in paragraph (c)(8)(i)(D) of this section.

(vi) Regulated investment company and real estate investment trust adjustments. A broker must adjust the basis of a covered security issued by a regulated investment company or real estate investment trust for the effects of undistributed capital gains reported to or by the broker under section 852(b)(3)(D) or section 857(b)(3)(D).

(vii) Treatment of de minimis errors. For purposes of this section, a customer's adjusted basis generally must be determined by treating any incorrect dollar amount that is not required to be corrected by reason of section 6721(c)(3) or 6722(c)(3) as the correct amount. However, if a broker, upon identifying a dollar amount as incorrect, voluntarily or is required to file a corrected information return and furnish the corresponding corrected payee statement showing the correct dollar amount, then regardless of any provision under section 6721 or 6722, the adjusted basis for purposes of this section must be based on and consistent with the correct dollar amount as reported on the corrected information return and corrected payee statement.

(viii) Examples. The following examples, in which all the securities are covered securities, illustrate the rules of this paragraph (d)(6):

(A)

(1) On September 21, 2012, P purchases 100 shares of stock in an account with J, a broker. On December 14, 2012, P purchases 100 shares of stock with the same CUSIP number in the same account. On January 4, 2013, P sells the 100 shares purchased on September 21, 2012, at a loss.

(2) Because the sale of stock on January 4, 2013, and the purchase of stock on December 14, 2012, are of covered securities with the same CUSIP number, under paragraph (d)(6)(iii)(A) of this section, J must report the amount of loss disallowed by section 1091 in addition to the gross proceeds of the sale and the adjusted basis of the September 21, 2012, stock.

(3) P later sells the stock acquired on December 14, 2012. When reporting the sale of the stock, under paragraph (d)(6)(iii)(A) of this section, J must increase the adjusted basis of the stock acquired on December 14, 2012, by the amount of loss disallowed on the January 4, 2013, sale.

(B) Assume the same facts as in paragraph (d)(6)(viii)(A)(1) of this section (Example 1) except that the December 14, 2012, purchase occurs in another account P maintains with J. Because the December 14, 2012, purchase does not occur in the same account as the sale of the September 21, 2012, stock, under paragraph (d)(6)(iii)(B) of this section, J is not required to apply the wash sale rules in reporting the sale of stock acquired on September 21, 2012, or December 14, 2012. Under paragraphs (d)(2)(iii) and (d)(2)(iv)(B) of this section, J may choose to apply the wash sale rules as if the transactions occurred in the same account. The result is the same whether P keeps the stock purchased on December 14, 2012, in the other account or transfers the stock into the account from which P sells the stock sold on January 4, 2013.

(C)

(1) K, a regulated investment company, offers two funds for sale, Fund D and Fund E. On April 22, 2012, Q purchases shares of Fund D and pays a separate load charge. By paying the load charge, Q acquires a reinvestment right in shares of Fund E. On April 23, 2012, at the request of Q, Fund D redeems the shares. Q uses the proceeds to purchase shares of Fund E in a separate account. As a result of the reinvestment right, Q pays no load charge in purchasing the Fund E shares.

(2) Under paragraph (d)(6)(i) of this section, when reporting adjusted basis of the Fund D and Fund E shares at the time of their redemption, K is not required to adjust basis for any deferral of the load charge under section 852(f), because the transactions concerning Fund D and Fund E occur in separate accounts. Under paragraph (d)(2)(iv)(B) of this section, K may choose to apply the provisions of section 852(f).

(D) R, an employee of C, a corporation, participates in C's stock option plan. On April 2, 2014, C grants R a nonstatutory option under the plan to buy 100 shares of stock. The option becomes substantially vested on April 2, 2015. On October 2, 2015, R exercises the option and purchases 100 shares. On December 2, 2015, R sells the 100 shares. Under paragraph (d)(6)(ii)(A) of this section, C is required to determine adjusted basis from the amount R pays under the terms of the option. Under paragraph (d)(6)(ii)(A) of this section, C is not permitted to adjust basis for any amount R must include as wage income with respect to the October 2, 2015, stock purchase.

(ix) Applicability date. Paragraph (d)(6)(vii) of this section applies with respect to information returns required to be filed and payee statements required to be furnished on or after January 1, 2024.

(x) Examples. The following examples illustrate the rules of paragraph (d)(5) of this section and this paragraph (d)(6) as applied to digital assets. Unless otherwise indicated, all events and transactions in the following examples occur using the services of CRX, an entity that owns and operates a digital asset trading platform and provides digital asset broker and hosted wallet services. In performing these services, CRX holds and records all customer purchase and sale transactions using CRX's centralized omnibus account. CRX does not record any of its customer's purchase or sale transactions on the relevant cryptographically secured distributed

ledgers. Additionally, unless otherwise indicated, all events and transactions in the following examples occur on or after January 1, 2026.

(A)

Example (1). Determination of gross proceeds and basis in digital assets.

(1) Facts. As a digital asset broker, CRX generally charges transaction fees equal to 1 unit of CRX's proprietary digital asset CM per transaction. CRX does not, however, charge transaction fees for the purchase of CM. On March 9, Year 1, K, an individual not otherwise exempt from reporting, purchases 20 units of CM for \$20 in cash in K's account at CRX. A week later, on March 16, Year 1, K uses CRX's services to purchase 10 units of digital asset DE for \$80 in cash. To pay for CRX's transaction fee, K directs CRX to debit 1 unit of CM (worth \$1 at the time of transfer) from K's account.

(2) Analysis. Under paragraph (d)(2)(i)(B) of this section, CRX must report the gross proceeds from K's sale of 1 unit of CM. Additionally, because the units of CM were purchased in K's account at a broker providing custodial services for digital assets that are specified securities described in paragraph (a)(14)(v) of this section, the units of CM purchased by K are covered securities under paragraph (a)(15)(i)(J) of this section. Accordingly, under paragraphs (d)(2)(i)(D)(1) and (2) of this section, CRX must report K's adjusted basis in the 1 unit of CM and whether any gain or loss with respect to the CM unit sold is long-term or short-term. The gross proceeds from that sale is equal to the fair market value of the CM units on March 16, Year 1 (\$1), and the adjusted basis of that unit is equal to the amount K paid in cash for the CM unit on March 9, Year 1 (\$1). This reporting is required regardless of the fact that there is \$0 of gain or loss associated with this sale. Additionally, K's adjusted basis in the 10 units of DE acquired is equal to the \$81 initial basis in DE, which is \$80 plus the \$1 value of 1 unit of CM paid as a digital asset transaction cost for the purchase of the DE units.

(B)

Example (2). Determination of gross proceeds and basis in digital assets.

(1) Facts. The facts are the same as in paragraph (d)(6)(x)(A)(1) of this section (the facts in Example 1), except that on June 12, Year 2, K instructs CRX to exchange K's 10 units of DE for 50 units of digital asset ST. CRX effects this exchange using its own omnibus account holdings of ST at an exchange rate of 1 DE = 5 ST. The total value of the 50 units of ST received by K is \$100. K directs CRX to debit 1 CM unit (worth \$2 at the time of the transfer) from K's account to pay CRX for the transaction fee.

(2) Analysis. K has digital asset transaction costs of \$2 as defined in paragraph (d)(5)(iv)(A) of this section, which is the value of 1 unit of CM. Under paragraph (d)(2)(i)(B) of this section, CRX must report the gross proceeds from K's exchange of DE for ST (as a sale of K's 10 units of DE) and the gross proceeds from K's disposition of 1 unit of CM for CRX's services. Additionally, because the units of DE and CM were purchased in K's account at a broker providing custodial services for digital assets that are specified securities described in paragraph (a)(14)(v) of this section, the units of DE and CM are covered securities under paragraph (a)(15)(i)(J) of this section, and, pursuant to paragraphs (d)(2)(i)(D)(1) and (2) of this section, CRX must report K's adjusted basis in the 10 units of DE and 1 unit of CM and whether any gain or loss with respect to the those units is long-term or short-term. Under paragraph (d)(5)(ii)(A) of this

section, the gross proceeds from K's sale of the DE units is \$98 (the fair market value of the 50 units of ST that K received less the \$2 digital asset transaction costs paid by K using 1 unit of CM), that is allocable to the sale of the DE units. Under this paragraph (d)(6), K's adjusted basis in the 10 units of DE is \$81 (which is \$80 plus the \$1 value of 1 unit of CM paid as a digital asset transaction cost for the purchase of the DE units), resulting in a long-term capital gain to K of \$17 (\$98-\$81). The gross proceeds from K's sale of the single unit of CM is \$2, and K's adjusted basis in the single unit of CM is \$1, resulting in a long-term capital gain to K of \$1 (\$2-\$1). K's adjusted basis in the ST units under paragraph (d)(6)(ii)(C) of this section is equal to the initial basis in ST, which is \$100.

(C)

Example (3). Determination of gross proceeds and basis when digital asset transaction costs are withheld from transferred digital assets.

(1) Facts. K has an account with digital asset broker BEX. On December 20, Year 1, K acquired 10 units of digital asset A, for \$2 per unit, and 100 units of digital asset B, for \$0.50 per unit. (Assume that K did not incur any digital asset transaction costs on the units acquired on December 20, Year 1.) On July 20, Year 2, K directs BEX to effect the exchange of 10 units of digital asset A for 50 units of digital asset B. At the time of the exchange, each unit of digital asset A has a fair market value of \$5 per unit and each unit of digital asset B has a fair market value of \$1 per unit. For the exchange of 10 units of digital asset A for 50 units of digital asset B, BEX charges K a transaction fee equal to 2 units of digital asset B, which BEX withholds from the units of the digital asset B credited to K's account on July 20, Year 2. For the disposition of 2 units of digital asset B withheld, BEX charges an additional transaction fee equal to 1 unit of digital asset B, which BEX also withholds from the units of digital asset B credited to K's account on July 20, Year 2. K has a standing order with BEX for the specific identification of digital assets as from the earliest units acquired.

(2) Reporting with respect to the disposition of the A units. The withholding of 3 units of digital asset B is a disposition of digital assets for BEX's services within the meaning of paragraph (a)(9)(ii)(C) of this section. Under paragraph (d)(5)(iv)(A) of this section, K has digital asset transaction costs of \$3. Under paragraph (d)(5)(iv)(C) of this section, the exchange of 10 units of digital asset A for 50 units of digital asset B is the original transaction. Accordingly, BEX must allocate the digital asset transaction costs of \$3 exclusively to the disposition of the 10 units of digital asset A. Additionally, because the units of A are specified securities described in paragraph (a)(14)(v) of this section and were purchased in K's account at BEX by a broker providing custodial services for such specified securities, the units of A are covered securities under paragraph (a)(15)(i)(J) of this section, and BEX must report K's adjusted basis in the 10 units of A. Under paragraphs (d)(5)(ii)(A) and (d)(5)(iv)(C) of this section, K's gross proceeds from the sale of the 10 units of digital asset A is \$47, which is the excess of the fair market value of the 50 units of digital asset B received (\$50) as of the date and time of the transaction over the allocated digital asset transaction costs (\$3). Under this paragraph (d)(6), K's adjusted basis in the 10 units of A is \$20, resulting in a short-term capital gain to K of \$27 (\$47-\$20).

(3) Reporting with respect to the disposition of the withheld B units. K's gross proceeds from the sale of the 3 units of digital asset B used to pay digital asset

transaction costs is \$3, which is the fair market value of the digital assets used to pay for such transaction costs. Pursuant to the special rule for the identification of units withheld from digital assets received in a transaction to pay a customer's digital asset transaction costs under paragraph (d)(2)(ii)(B)(3) of this section and regardless of K's standing order, the withheld units sold are treated as from the units received in the original (A for B) transaction. Accordingly, the basis of the 3 withheld units of digital asset B is \$3, which is the fair market value of the 3 units of digital asset B received. Finally, pursuant to paragraph (c)(3)(ii)(C) of this section, BEX is not required to report K's sale of the 3 withheld units of digital asset B because the 3 units of digital asset B were units withheld from digital assets received by K to pay for K's digital asset transaction costs.

(D)

Example (4). Determination of gross proceeds and basis for digital assets.

(1) Facts. On August 26, Year 1, Customer P purchases 10 units of digital asset DE for \$2 per unit in cash in an account at CRX. CRX charges P a fixed transaction fee of \$5 in cash for the exchange. On October 26, Year 2, P directs CRX to exchange P's 10 units of DE for units of digital asset FG. At the time of the exchange, CRX determines that each unit of DE has a fair market value of \$100 and each unit of FG has a fair market value of \$50. As a result of this determination, CRX effects an exchange of P's 10 units of DE for 20 units of FG. CRX charges P a fixed transaction fee of \$20 in cash for the exchange.

(2) Analysis. Under paragraph (d)(5)(iv)(B) of this section, P has digital asset transaction costs of \$20 associated with the exchange of DE for FG which must be allocated to the sale of the DE units. For the transaction that took place on October 26, Year 2, under paragraph (d)(2)(i)(B) of this section, CRX must report the amount of gross proceeds from the sale of DE in the amount of \$980 (the \$1,000 fair market value of FG received on the date and time of transfer, less all of the digital asset transaction costs of \$20 allocated to the sale). Under paragraph (d)(6)(ii)(C) of this section, the adjusted basis of P's DE units is equal to \$25, which is the \$20 paid in cash for the 10 units increased by the \$5 digital asset transaction costs allocable to that purchase. Finally, P's adjusted basis in the 20 units of FG is equal to the fair market value of the FG received, \$1,000, because none of the \$20 transaction fee may be allocated under paragraph (d)(6)(ii)(C)(2) of this section to the acquisition of P's FG units.

(7) Long-term or short-term gain or loss.

(i) In general. In determining whether any gain or loss on the sale of a covered security is long-term or short-term within the meaning of section 1222 for purposes of this section, the following rules apply:

(A) A broker must consider the information reported on a transfer statement (as described in §1.6045A-1).

(B) A broker is not required to consider transactions, elections, or events occurring outside the account except for an organizational action taken by an issuer during the period the broker holds custody of the covered security (beginning with the date that the broker receives a transferred security) reported on an issuer statement (as described in §1.6045B-1) furnished or deemed furnished to the broker.

(C) A broker is required to apply the relevant rules for property acquired from a decedent or by gift for all covered securities.

(ii) Adjustments for wash sales.

(A) Securities in the same account or wallet.

(1) In general. A broker must apply the wash sale rules under section 1091 if both the sale and purchase transactions are of covered securities, other than covered securities reportable as digital assets after the application of paragraph (c)(8) of this section, with the same CUSIP number or other security identifier number that the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin (see §601.601(d)(2) of this chapter).

(2) Special rules for covered securities that are also digital assets. In the case of a purchase or sale of a tokenized security described in paragraph (c)(8)(i)(D) of this section that is a stock or security for purposes of section 1091, a broker must apply the wash sale rules under section 1091 if both the sale and purchase transactions are of covered securities with the same CUSIP number or other security identifier number that the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin (see §601.601(d)(2) of this chapter).

(B) Covered securities in different accounts or wallets. A broker is not required to apply paragraph (d)(7)(ii)(A) of this section if the covered securities are purchased and sold from different accounts or wallets, if the purchased covered security is transferred to another account or wallet before the wash sale, or if the covered securities are treated as held in separate accounts under §1.1012-1(e). A covered security is not purchased in an account or wallet if it is purchased in another account or wallet and transferred into the account or wallet.

(C) Effect of election under section 475(f)(1). A broker is not required to apply paragraph (d)(7)(ii)(A) of this section to securities in an account if a customer has in writing both informed the broker that the customer has made a valid and timely election under section 475(f)(1) and identified the account as solely containing securities subject to the election. For purposes of this paragraph (d)(7)(ii)(C), a writing may be in electronic format. If a customer subsequently informs a broker that the election no longer applies to the customer or the account, the broker must prospectively apply paragraph (d)(7)(ii)(A) of this section but is not required to apply paragraph (d)(7)(ii)(A) of this section for the period covered by the customer's prior instruction to the broker. A taxpayer that is not a trader in securities within the meaning of section 475(f)(1) does not become a trader in securities, or create an inference that it is a trader in securities, by notifying a broker that it has made a valid and timely election under section 475(f)(1).

(D) Reporting at or near the time of sale. If a wash sale occurs after a broker has completed a return or statement reporting a sale of a covered security, the broker must redetermine whether gain or loss on the sale is long-term or short-term under this paragraph (d)(7)(ii) and, if the return or statement included information inconsistent with this redetermination, correct the return or statement by the applicable original due date set forth in this section for the return or statement.

(iii) Constructive sale and mark-to-market adjustments. A broker is not required to apply section 1259 (regarding constructive sales), section 475 (regarding the mark-to-market method of accounting), or section 1296 (regarding the mark-to-market method of accounting for marketable stock in a passive foreign investment company) when determining whether any gain or loss on the sale of a security is long-term or short-term.

(iv) Regulated investment company and real estate investment trust adjustments. A broker is not required to apply sections 852(b)(4)(A) and 857(b)(8) (regarding effect of distributed and undistributed capital gain dividends on a loss on sale of regulated investment company or real estate investment trust shares held six months or less) or section 852(b)(4)(B) (regarding loss disallowance on sale of regulated investment company shares held six months or less due to receipt of tax-exempt dividends) when determining whether any gain or loss on the sale of a security is long-term or short-term.

(v) No adjustments for hedging transactions or offsetting positions. A broker is not required to apply section 1092 (regarding straddles), section 1233(b)(2) (regarding effect of short sale on holding period of substantially identical property), or §1.1221-2(b) (regarding hedging transactions) when determining whether any gain or loss on the sale of a security is long-term or short-term.

(8) Conversion into United States dollars of amounts paid or received in foreign currency.

(i) Conversion rules.

(A) When a payment other than a payment of interest is made in a foreign currency, a broker must determine the U.S. dollar amount of the payment by converting the foreign currency into U.S. dollars on the date it receives, credits, or makes the payment, as applicable, at the spot rate (as defined in §1.988-1(d)(1)) or pursuant to a reasonable spot rate convention. (For interest payments, see paragraph (n)(4)(v) of this section concerning a customer's spot rate election.) When reporting the sale of a security traded on an established securities market, however, a broker must determine the U.S. dollar amounts at the spot rate or pursuant to a reasonable spot rate convention as of the settlement date of the purchase or sale, as applicable.

(B) A reasonable spot rate convention includes a month-end spot rate or a monthly average spot rate. A spot rate convention must be used consistently for all non-dollar amounts reported and from year to year. The convention may not be changed without the consent of the Commissioner or his or her delegate.

(ii) Effect of identification under §1.988-5(a), (b), or (c) when the taxpayer effects a sale and a hedge through the same broker. In lieu of the amounts reportable under paragraph (d)(8)(i) of this section, the gross proceeds and adjusted basis must each be the integrated amount computed under §1.988-5(a), (b) or (c) if-

(A) A taxpayer effects through a broker a sale or exchange of nonfunctional currency (as defined in §1.988-1(c)) and hedges all or a part of the sale as provided in §1.988-5(a), (b) or (c) with the same broker; and

(B) The taxpayer complies with the requirements of §1.988-5(a), (b) or (c) and so notifies the broker prior to the end of the calendar year in which the sale occurs.

(iii) Example. The following example illustrates the rules of this paragraph (d)(8): Example.

(i) If an individual, is a U.S. citizen. On July 4, 2012, Z purchases stock of C, SA, a French corporation traded on an established securities market, in an account with Q, a broker. Q uses a daily spot rate for converting euro and U.S. dollars. Z pays [euro]1,200 for the stock. On the settlement date for the purchase, the spot rate is [euro]1 = \$1.30. On October 4, 2012, Z sells the stock for [euro]1,000. On the settlement date for the sale, the spot rate is [euro]1 = \$1.35. On October 5, 2012, Z purchases additional shares of C, SA, that cause the [euro]200 loss on the stock sold on October 4, 2012, to be disallowed under section 1091.

(ii) Under paragraph (d)(8)(i)(A) of this section, Q must determine adjusted basis by converting the [euro]1,200 paid on behalf of Z into U.S. dollars using the [euro]1 = \$1.30 spot rate on the settlement date of the purchase. Q must convert the [euro]1,000 gross proceeds into U.S. dollars using the [euro]1 = \$1.35 spot rate on the settlement date for the sale. Thus, Q must report adjusted basis equal to \$1,560, gross proceeds equal to \$1,350, and \$210 in loss disallowed by section 1091.

(9) Coordination with the reporting rules for widely held fixed investment trusts under §1.671-5. Information required to be reported under section 6045(a) for a sale of a security or a digital asset in a widely held fixed investment trust (WHFIT) (as defined under §1.671-5) and the sale of an interest in a WHFIT must be reported as provided by this section unless the information is also required to be reported under §1.671-5. To the extent that this section requires additional information under section 6045(g), those requirements are deemed to be met through compliance with the rules in §1.671-5.

(10) Optional reporting methods for qualifying stablecoins and specified nonfungible tokens. This paragraph (d)(10) provides optional reporting rules for sales of qualifying stablecoins as defined in paragraph (d)(10)(ii) of this section and sales of specified nonfungible tokens as defined in paragraph (d)(10)(iv) of this section. A broker may report sales of qualifying stablecoins or report sales of specified nonfungible tokens under the optional method provided in this paragraph (d)(10) instead of under paragraphs (d)(2)(i)(B) and (D) of this section for some or all customers and may change its reporting method for any customer from year to year; however, the method chosen for a particular customer must be applied for the entire year of that customer's sales.

(i) Optional reporting method for qualifying stablecoins.

(A) In general. In lieu of reporting all sales of qualifying stablecoins under paragraphs (d)(2)(i)(B) and (D) of this section, a broker may report designated sales of qualifying stablecoins, as defined in paragraph (d)(10)(i)(C) of this section, on an aggregate basis as provided in paragraph (d)(10)(i)(B) of this section. A broker reporting under this paragraph (d)(10)(i) is not required to report sales of qualifying stablecoins under this paragraph (d)(10)(i) or under paragraphs (d)(2)(i)(B) through (D) of this section if such sales are non-designated sales of qualifying stablecoins or if the gross proceeds (after reduction for the allocable digital asset transaction costs) from all designated sales effected by that broker of qualifying stablecoins by the customer do not exceed \$10,000 for the year as described in paragraph (d)(10)(i)(B) of this section.

(B) Aggregate reporting method for designated sales of qualifying stablecoins. If a customer's aggregate gross proceeds (after reduction for the allocable digital asset transaction costs) from all designated sales effected by that broker of qualifying stablecoins exceed \$10,000 for the year, the broker must make a separate return for each qualifying stablecoin that includes the information set forth in this paragraph (d)(10)(i)(B). If the aggregate gross proceeds reportable under the previous sentence exceed \$10,000, reporting is required with respect to each qualifying stablecoin for which there are designated sales even if the aggregate gross proceeds for a particular qualifying stablecoin does not exceed \$10,000. A broker reporting under this paragraph (d)(10)(i)(B) must report the following information with respect to designated sales of each qualifying stablecoin on a separate Form 1099-DA or any successor form in the manner required by such form or instructions-

(1) The name, address, and taxpayer identification number of the customer;

(2) The name of the qualifying stablecoin sold;

(3) The aggregate gross proceeds for the year from designated sales of the qualifying stablecoin (after reduction for the allocable digital asset transaction costs as defined and allocated pursuant to paragraph (d)(5)(iv) of this section);

(4) The total number of units of the qualifying stablecoin sold in designated sales of the qualifying stablecoin;

(5) The total number of designated sale transactions of the qualifying stablecoin; and

(6) Any other information required by the form or instructions.

(C) Designated sale of a qualifying stablecoin. For purposes of this paragraph (d)(10), the term designated sale of a qualifying stablecoin means: any sale as defined in paragraphs (a)(9)(ii)(A) through (D) of this

section of a qualifying stablecoin other than a sale of a qualifying stablecoin in exchange for different digital assets that are not qualifying stablecoins. In addition, the term designated sale of a qualifying stablecoin includes the delivery of a qualifying stablecoin pursuant to the settlement of any executory contract which would be treated as a designated sale of the qualifying digital asset under the previous sentence if the contract had not been executory. Finally, the term non-designated sale of a qualifying stablecoin means any sale of a qualifying stablecoin other than a designated sale of a qualifying stablecoin as defined in this paragraph (d)(10)(i)(C).

(D) Examples. For purposes of the following examples, assume that digital asset WW and digital asset YY are qualifying stablecoins, and digital asset DL is not a qualifying stablecoin. Additionally, assume that the transactions set forth in each example include all sales of qualifying stablecoins on behalf of the customer during Year 1, and that no transaction costs were imposed on the sales described therein.

(1)

Example (1). Optional reporting method for qualifying stablecoins.

(i) Facts. CRX is a digital asset broker that provides services to customer K, an individual not otherwise exempt from reporting. CRX effects the following sales on behalf of K: sale of 1,000 units of WW in exchange for cash of \$1,000; sale of 5,000 units of WW in exchange for YY, with a value of \$5,000; sale of 10,000 units of WW in return for DL, with a value of \$10,000; and sale of 3,000 units of YY in exchange for cash of \$3,000.

(ii) Analysis. In lieu of reporting all of K's sales of WW and YY under paragraph (d)(2)(i)(B) of this section, CRX may report K's designated sales of WW and YY under the optional reporting method set forth in paragraph (d)(10)(i)(B) of this section. In this case, K's designated sales of qualifying stablecoins resulted in total gross proceeds of \$9,000, which is the total of \$1,000 from sale of WW for cash, \$5,000 from the sale of WW in exchange for YY, and \$3,000 from the sale of YY for cash. Because K's designated sales of WW and YY did not exceed \$10,000, CRX is not required to make a return of information under this section for any of K's qualifying stablecoin sales. The \$10,000 of gross proceeds from the sale of WW for DL, which is not a qualifying stablecoin, is not included in this calculation to determine if the de minimis threshold has been exceeded because that sale is not a designated sale and, as such, is not reportable.

(2)

Example (2). Optional reporting method for qualifying stablecoins.

(i) Facts. The facts are the same as in paragraph (d)(10)(i)(D)(1)(i) of this section (the facts in Example 1), except that CRX also effects an additional sale of 4,000 units of YY in exchange for cash of \$4,000 on behalf of K.

(ii) Analysis. In lieu of reporting all of K's sales of WW and YY under paragraph (d)(2)(i)(B) of this section, CRX may report K's designated sales of WW and YY under the optional reporting method set forth in paragraph (d)(10)(i)(B) of this section. In this case, K's designated sales of

qualifying stablecoins resulted in total gross proceeds of \$13,000, which is the total of \$1,000 from sale of WW for cash, \$5,000 from the sale of WW for YY, \$3,000 from the sale of YY for cash, and \$4,000 from the sale of YY for cash. Because K's designated sales of all types of qualifying stablecoins exceeds \$10,000, CRX must make two returns of information under this section: one for all of K's designated sales of WW and another for all of K's designated sales of YY.

(ii) Qualifying stablecoin. For purposes of this section, the term qualifying stablecoin means any digital asset that satisfies the conditions set forth in paragraphs (d)(10)(ii)(A) through (C) of this section for the entire calendar year.

(A) Designed to track certain other currencies. The digital asset is designed to track on a one-to-one basis a single convertible currency issued by a government or a central bank (including the U.S. dollar).

(B) Stabilization mechanism. Either:

(1) The digital asset uses a stabilization mechanism that causes the unit value of the digital asset not to fluctuate from the unit value of the convertible currency it was designed to track by more than 3 percent over any consecutive 10-day period, determined using Coordinated Universal Time (UTC), during the calendar year; or

(2) The issuer of the digital asset is required by regulation to redeem a unit of the digital asset at any time on a one-to-one basis for the same convertible currency that the digital asset was designed to track.

(C) Accepted as payment. The digital asset is generally accepted as payment by persons other than the issuer. A digital asset that satisfies the conditions set forth in paragraphs (d)(10)(ii)(A) and (B) of this section that is accepted by a broker pursuant to a sale of another digital asset, or that is accepted by a second party pursuant to a sale effected by a processor of digital asset payments described in paragraph (a)(9)(ii)(D) of this section, meets the condition set forth in this paragraph (d)(10)(ii)(C).

(D) Examples.

(1)

Example (1).

(i) Facts. Y is a privately held corporation that issues DL1, a digital asset designed to track the value of the U.S. dollar. Pursuant to regulatory requirements, DL1 is backed in full by U.S. dollars and other liquid short-term U.S. dollar-denominated assets held by Y, and Y offers to redeem units of DL1 for U.S. dollars at par at any time. Y's retention of U.S. dollars and other liquid short-term U.S. dollar-denominated assets as collateral and Y's offer to redeem units of DL for U.S. dollars at par at any time are intended to cause DL1 to track the U.S. dollar on a one-to-one basis. Broker B accepts DL1 as payment in return for sales of other digital assets.

(ii) Analysis. DL1 satisfies the three conditions set forth in paragraphs (d)(10)(ii)(A) through (C) of this section. First, DL1 was designed to track on a one-to-one basis the U.S. dollar, which is a single convertible currency issued by a government or a central bank. Second, DL1 uses a stabilization mechanism, as described in paragraph (d)(10)(ii)(B)(2) of this section, that pursuant to regulatory requirements requires Y to offer to redeem one unit of DL1 for one U.S. dollar at any time. Finally, because B accepts DL1 as payment for sales of other digital assets, DL1 is generally accepted as payment by persons other than Y. Accordingly, DL1 is a qualifying stablecoin under this paragraph (d)(10)(ii).

(2)

Example (2).

(i) Facts. Z is a privately held corporation that issues DL2, a digital asset designed to track the value of the U.S. dollar on a one-to-one basis that has a mechanism that is intended to effect that tracking. On April 28, Year X, Broker B effects the sale of units of DL2 for cash on behalf of customer C. During Year X, the unit value of DL2 did not fluctuate from the U.S. dollar by more than 3 percent over any consecutive 10-day period.

Merchant M accepts payment in DL2 in return for goods and services in connection with sales effected by processors of digital asset payments.

(ii) Analysis. DL2 satisfies the three conditions set forth in paragraphs (d)(10)(ii)(A) through (C) of this section. First, DL2 was designed to track on a one-to-one basis the U.S. dollar, which is a single convertible currency issued by a government or a central bank. Second, DL2 uses a stabilization mechanism, as described in paragraph (d)(10)(ii)(B)(2) of this section, that results in the unit value of DL2 not fluctuating from the U.S. dollar by more than 3 percent over any consecutive 10-day period during the calendar year (Year X). Third, Merchant M accepts payment in DL2 in return for goods and services in connection with sales effected by processors of digital asset payments DL2 is generally accepted as payment by persons other than Z. Accordingly, DL2 is a qualifying stablecoin under this paragraph (d)(10)(ii).

(iii) Optional reporting method for specified nonfungible tokens-

(A) In general. In lieu of reporting sales of specified nonfungible tokens under the reporting rules provided under paragraph (d)(2)(i)(B) of this section, a broker may report sales of specified nonfungible tokens as defined in paragraph (d)(10)(iv) of this section on an aggregate basis as provided in this paragraph (d)(10)(iii). Other digital assets, including nonfungible tokens that are not specified nonfungible tokens, are not eligible for the optional reporting method in this paragraph (d)(10)(iii).

(B) Reporting method for specified nonfungible tokens. A broker reporting under this paragraph (d)(10)(iii) must report sales of specified nonfungible tokens if the customer's aggregate gross proceeds (after reduction for the allocable digital asset transaction costs) from all sales of specified nonfungible tokens exceed \$600 for the year. If the customer's aggregate gross proceeds (after reduction for the allocable digital asset

transaction costs) from such sales effected by that broker do not exceed \$600 for the year, no report is required. A broker reporting under this paragraph (d)(10)(iii)(B) must report on a Form 1099-DA or any successor form in the manner required by such form or instructions the following information with respect to the customer's sales of specified nonfungible tokens-

(1) The name, address, and taxpayer identification number of the customer;

(2) The aggregate gross proceeds for the year from all sales of specified nonfungible tokens (after reduction for the allocable digital asset transaction costs as defined and allocated pursuant to paragraph (d)(5)(iv) of this section);

(3) The total number of specified nonfungible token sales;

(4) To the extent ordinarily known by the broker, the aggregate gross proceeds that is attributable to the first sale by a creator or minter of the specified nonfungible token; and

(5) Any other information required by the form or instructions.

(C) Examples. The following examples illustrate the rules of this paragraph (d)(10)(iii).

(1)

Example (1). Optional reporting method for specified nonfungible tokens.

(i) Facts. CRX is a digital asset broker that provides services to customer J, an individual not otherwise exempt from reporting. In Year 1, CRX sells on behalf of J, ten specified nonfungible tokens for a gross proceeds amount equal to \$1,500. CRX does not sell any other specified nonfungible tokens for J during Year 1.

(ii) Analysis. In lieu of reporting J's sales of the ten specified nonfungible tokens under paragraph (d)(2)(i)(B) of this section, CRX may report these sales under the reporting method set forth in this paragraph (d)(10)(iii). In this case, J's sales of the ten specified nonfungible tokens gave rise to total gross proceeds of \$1,500 for Year 1. Because the total gross proceeds from J's sales of the ten specified nonfungible tokens exceeds \$600, CRX must make a single return of information under this section for these sales.

(2)

Example (2). Optional reporting method for specified nonfungible tokens.

(i) Facts. The facts are the same as in paragraph (d)(10)(iii)(C)(1)(i) of this section (the facts in Example 1), except that the total gross proceeds from the sale of J's ten specified nonfungible tokens is \$500.

(ii) Analysis. Because J's sales of the specified nonfungible tokens result in total gross proceeds of \$500, CRX is not required to make a return of information under this section for J's sales of the specified nonfungible tokens.

(iv) Specified nonfungible token. For purposes of this section, the term specified nonfungible token means a digital asset that satisfies the conditions set forth in paragraphs (d)(10)(iv)(A) through (C) of this section.

(A) Indivisible. The digital asset cannot be subdivided into smaller units without losing its intrinsic value or function.

(B) Unique. The digital asset itself includes a unique digital identifier, other than a digital asset address, that distinguishes that digital asset from all other digital assets.

(C) Excluded property. The digital asset is not and does not directly or through one or more other digital assets that satisfy the conditions described in paragraphs (d)(10)(iv)(A) and (B) of this section, provide the holder with any interest in any of the following excluded property-

(1) A security under paragraph (a)(3) of this section;

(2) A commodity under paragraph (a)(5) of this section;

(3) A regulated futures contract under paragraph (a)(6) of this section;

(4) A forward contract under paragraph (a)(7) of this section; or

(5) A digital asset that does not satisfy the conditions described in paragraphs (d)(10)(iv)(A) and (B) of this section.

(D) Examples. The following examples illustrate the rules of this paragraph (d)(10)(iv).

(1)

Example (1). Specified nonfungible token.

(i) Facts. Individual J is an artist in the business of creating and selling digital assets that reference J's artwork. J creates a unique digital asset (DA-J) that represents J's artwork. The digital asset includes a unique digital identifier, other than a digital asset address, that distinguishes DA-J from all other digital assets. DA-J cannot be subdivided into smaller units.

(ii) Analysis. DA-J is a digital asset that satisfies the three conditions described in paragraphs (d)(10)(iv)(A) through (C) of this section. DA-J cannot be subdivided into smaller units without losing its intrinsic value or function. Additionally, DA-J includes a unique digital identifier that distinguishes DA-J from all other digital assets. Finally, DA-J does not provide the holder with any interest in excluded property listed in paragraphs (d)(10)(iv)(C)(1) through (5) of this section. Accordingly, DA-J is a specified nonfungible token under this paragraph (d)(10)(iv).

(2)

Example (2). Specified nonfungible token.

(i) Facts. K creates a unique digital asset (DA-K) that provides the holder with the right to redeem DA-K for 100 units of digital asset DE. Units of DE can be subdivided into smaller units and do not include a unique

digital identifier, other than a digital asset address, that distinguishes one unit of DE from any other unit of DE. DA-K cannot be subdivided into smaller units and includes a unique digital identifier, other than a digital asset address, that distinguishes DA-K from all other digital assets.

(ii) Analysis. DA-K provides its holder with an interest in 100 units of digital asset DE, which is excluded property, as described in paragraph (d)(10)(iv)(C)(5) of this section, because DE units can be subdivided into smaller units and do not include unique digital identifiers that distinguishes one unit of DE from any other unit of DE. Accordingly, DA-K is not a specified nonfungible token under this paragraph (d)(10)(iv).

(3)

Example (3). Specified nonfungible token.

(i) Facts. The facts are the same as in paragraph (d)(10)(iv)(D)(2)(i) of this section (the facts in Example 2) except that in addition to providing its holder with an interest in the 100 units of DE, DA-K also provides rights to or access to a unique work of art.

(ii) Analysis. Because DA-K provides its holder with an interest in excluded property described in paragraph (d)(10)(iv)(C)(5) of this section, it is not a specified nonfungible token under paragraph this (d)(10)(iv) without regard to whether it also references property that is not excluded property.

(4)

Example (4). Specified nonfungible token.

(i) Facts. B creates a unique digital asset (DA-B) that provides the holder with the right to redeem DA-B for physical merchandise in B's store. DA-B cannot be subdivided into smaller units and includes a unique digital identifier, other than a digital asset address, that distinguishes DA-B from all other digital assets.

(ii) Analysis. DA-B is a digital asset that satisfies the three conditions described in paragraphs (d)(10)(iv)(A) through (C) of this section. DA-B cannot be subdivided into smaller units without losing its intrinsic value or function. Additionally, DA-B includes a unique digital identifier that distinguishes DA-B from all other digital assets. Finally, DA-B does not provide the holder with any interest in excluded property listed in paragraphs (d)(10)(iv)(C)(1) through (5) of this section. Accordingly, DA-B is a specified nonfungible token under this paragraph (d)(10)(iv).

(v) Joint accounts. For purposes of determining if the gross proceeds thresholds set forth in paragraphs (d)(10)(i)(B) and (d)(10)(iii)(B) of this section have been met for the customer, the customer is the person whose tax identification number would be required to be shown on the information return (but for the application of the relevant threshold) after the application of the backup withholding rules under §31.3406(h)-2(a) of this chapter.

(11) Collection and retention of additional information with respect to the sale of a digital asset. A broker required to make an information return under paragraph (c) of this section with respect to the sale of a digital asset must collect the following additional

information, retain it for seven years from the date of the due date for the information return required to be filed under this section, and make it available for inspection upon request by the Internal Revenue Service:

(i) The transaction ID as defined in paragraph (a)(24) of this section in connection with the sale, if any; and the digital asset address as defined in paragraph (a)(20) of this section (or digital asset addresses if multiple) from which the digital asset was transferred in connection with the sale, if any;

(ii) For each sale of a digital asset that was held by the broker in a hosted wallet on behalf of a customer and was previously transferred into an account at the broker (transferred-in digital asset), the transaction ID of such transfer in and the digital asset address (or digital asset addresses if multiple) from which the digital asset was transferred, if any.

. . .