



## IRS releases draft Form 1099-DA

### Global Information Reporting

On April 19, 2024, the Internal Revenue Service (IRS) released the first draft of Form 1099-DA, [Digital Asset Proceeds From Broker Transactions](#). The form is for digital asset brokers to report proceeds and basis (where relevant) for dispositions of digital assets. Brokers are also required to report where they know or have reason to know that a corporation in which the payee owns a digital asset that is also stock has had a reportable change in control or capital structure. The form states that recipients of Form 1099-DA should check the “Yes” box next to the question on page 1 of Form 1040, which asks “At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)?”

The draft includes 33 boxes (some of which, such as Boxes 1a-1i, are separated into multiple parts) and a page of instructions for the form recipient. In addition to the boxes, the form allows the filer to report an account number (or similar identifying number) of the payee with the broker and a CUSIP number (or similar identifying number) of the digital asset disposed. The form also allows the filer to indicate whether any gain is short-term or long-term. Finally, the broker must identify what kind of digital asset broker it is: a Kiosk Operator, Digital Asset Payment Processor, Hosted Wallet Provider, Unhosted Wallet Provider, or Other digital asset filer.

Box 1a is for the filer to report the code for the reported digital asset. To date, no instructions have been released to explain or list the applicable coding. However, Box 1b states that, if the code in 1a is “999999,” then the filer should report the name of the digital asset in Box 1b.

Regarding the relevant disposition, the form has boxes for reporting the number of units of the digital asset disposed (Box 1c); the disposition date and time in Coordinated Universal Time (UTC) (Box 1e); and the total proceeds (Box 1f) including cash, and the value of services, digital assets, or other property received. Boxes 7a and 7b are used to identify whether the proceeds were cash or non-cash. Box 8 indicates that there will be codes

to identify different types of non-cash proceeds; as with Box 1a, no code list has yet been released, but the recipient instructions indicate that Box 9 is for the filer to identify the type of non-cash proceeds if “999999” is entered in Box 8. The form also includes a box to report the cost basis of the digital assets that have been disposed.

Further boxes provide options to identify any special tax characteristics of the disposition: whether the gain is short-term or long-term capital gain, or ordinary income; whether there is non-deductible loss on the transaction from a wash sale; the amount of accrued market discount for digital assets that are debt instruments; whether the proceeds are net proceeds from the exercise of a non-compensatory option; whether loss from a change in capital structure can be taken by the recipient; and whether the disposed asset was a noncovered security.

The [proposed section 6045 digital asset reporting regulations, which the Form 1099-DA is meant to complement, require general reporting of dispositions of digital assets by brokers starting in tax year 2025 \(i.e., reported in 2026\).](#) The form therefore has a corresponding tax-year date of 2025 (i.e., it is the 2025 Form 1099-DA).

The proposed regulations also required basis tracking of digital assets that are covered securities beginning January 1, 2023, with cost basis reporting of such covered securities beginning January 1, 2026. Consistent with the proposed regulatory effective dates, the form recipient instructions similarly reflect a cost basis tracking date of January 1, 2023, with cost basis reporting required for digital assets sold from January 1, 2026. The proposed regulations defined a covered security for purposes of digital asset basis reporting as limited to digital assets acquired in a customer’s account by a broker providing hosted wallet services. Therefore, the Form 1099-DA has an option for the filer to identify that a security was noncovered because the broker did not provide hosted wallet services, it was transferred in, or it was acquired prior to 2023.

A number of boxes report unique characteristics of digital assets, such as the date and time in UTC the assets were acquired; the transaction ID or hash from the disposition if it was recorded on a distributed ledger; the digital asset address of the person disposing of the digital assets; the number of assets transferred out of each origination address; and finally the transaction ID for the initial transfers into the wallet from which the digital assets were later disposed, the address of the wallet from which the initial transfer came, the number of digital assets initially transferred in, and the date and time in UTC of the transfer-in.

Like many Forms 1099, there is a box for the filer to indicate whether backup withholding was performed on any of the dispositions. Below that is a field for the filer to explain if they did not report the recipient’s Taxpayer Identification Number (TIN).

Finally, there are two boxes (Box 3b and Box 13) that are currently reserved for future use.

For questions, please consult with the listed contacts below.

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