



Tax IRW Ops Insights Quick Tips & Updates

KPMG Information Reporting & Withholding
Tax Services

White House Working Group Publishes Crypto Report Addressing Information Reporting

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On July 30, the White House issued a comprehensive 160-page report outlining recommendations for regulating digital assets, with a particular emphasis on information reporting and withholding requirements. The report stems from an executive order issued in January, which established the President's Working Group on Digital Asset Markets. This group was tasked with developing recommendations for a regulatory framework governing digital assets.

The report identifies several priority areas for regulatory development related to information reporting and withholding.

Electronic Consent for Form 1099-DA Delivery. The Working Group recommends that Treasury and the Internal Revenue Service (IRS) propose regulations to simplify the process for obtaining customer consent to receive Form 1099-DA, Digital Asset Proceeds from Broker Transactions, electronically. Given that digital asset exchanges typically interact with customers online, the report argues that requiring paper delivery unless explicit consent is obtained imposes unnecessary costs and administrative burdens. Streamlining this process would align reporting requirements with the digital nature of these platforms.

Implementation of the Crypto-Asset Reporting Framework (CARF). The report supports U.S. adoption of CARF under section 6045, which would facilitate the automatic exchange of information on digital asset transactions involving U.S. taxpayers in foreign jurisdictions. The Working Group urges Treasury and the IRS to minimize compliance burdens for brokers and to avoid imposing new reporting requirements on

Decentralized Finance (DeFi) transactions. The report also recommends legislation requiring brokers to report information on non-U.S. controlling persons of certain passive entities.

Basis Reporting for Transferred Digital Assets. To ensure accurate calculation of gains and losses, the report recommends that Treasury and the IRS propose regulations that require the reporting of basis information when digital assets are transferred between centralized exchanges.

Form 8300 Reporting for Digital Assets in Trade or Business. The Working Group recommends that Treasury and the IRS develop regulations for reporting digital assets received in the course of a trade or business, taking into account stakeholder concerns such as privacy, applicability to crypto-native transactions, and the potential chilling effect on the use of digital assets in commerce. The report also suggests that Congress revisit the \$10,000 reporting threshold and clarify the information required for the Financial Crimes Enforcement Network (FinCEN) reporting.

KPMG Observations and Background

The White House report provides greater clarity on the government's direction for digital asset regulation. Notably, the July 9, 2024, final regulations and their preamble reserved on rules related to non-U.S. persons and CARF implementation, signaling that Treasury and the IRS plan to move forward and propose regulations enabling the U.S. to begin exchanging information with partner jurisdictions by 2028 (for 2027 transactions). This latest report aligns with those intentions, and industry participants should proactively prepare for these forthcoming changes.

The move toward relaxed rules for electronic furnishing of Forms 1099-DA is likely to be welcomed by established organizations with existing consent processes. However, newer digital asset brokers should begin considering what this means for consent and reporting procedures now and be prepared to share their experiences and feedback with regulators as guidance evolves.

The expansion of Form 8300 reporting to digital assets presents unique challenges. Industry stakeholders have raised concerns about privacy, especially regarding the disclosure of personal information when reporting large digital asset transactions. Businesses should monitor regulatory developments and consider engaging with Treasury and the IRS to provide input on processes that work for the industry.

With the regulatory landscape evolving, digital asset businesses should consider forming internal working groups to assess the impact of these recommendations and to prepare for compliance. Early engagement with policymakers and industry peers will be critical to shaping practical and effective reporting frameworks.

Reference

For further information, see the report, [here](#).

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