



Digital Assets: From Crypto to Compliance

KPMG Information Reporting & Withholding
Tax Services

Proposed Regulations to Facilitate Electronic Furnishing of Form 1099-DA; Notice 2026-4 Requests Broader Comments on Electronic Delivery of Payee Statements

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On March 5, the Department of the Treasury and the Internal Revenue Service (IRS) issued proposed regulations (REG-105064-25) that would facilitate electronic furnishing of customer statements by digital asset brokers in connection with Form 1099-DA, Digital Asset Proceeds from Broker Transactions.

The existing rules under Internal Revenue Code (IRC) section 6045 require brokers to obtain consent from their customers before the brokers can satisfy their furnishing obligation with an electronically furnished Form 1099-DA statement. The existing rules also require brokers to furnish Form 1099-DA statements on paper to any customer that does not consent to receiving electronically furnished statements or that withdraws a previously provided consent.

The proposed regulations would introduce an alternative process for obtaining customer consent to electronic delivery of Form 1099-DA statements and would significantly reduce the circumstances in which paper statements are required.

Key elements of the proposed regulations include:

- Unlike the existing rules applicable to other information returns, the proposed regulations would allow brokers to use a process tailored to digital asset intermediaries for obtaining electronic delivery consent. However, brokers would still be required to furnish Form 1099-DA statements on paper to customers who do not validly consent to electronic delivery under the alternative process. The

“alternative process” is still consent based and must meet specified disclosure, access, and record keeping requirements. It is not a blanket rule where mere use of the platform is treated as automatic consent without any disclosure.

- Instead of furnishing paper statements to customers who do not consent to electronic delivery, brokers would be specifically permitted to terminate their business relationships with such customers, subject to any other applicable legal or regulatory requirements.
- The proposed regulations would not require brokers to offer customers the ability to withdraw previously provided consent to electronic furnishing of Form 1099-DA statements.
- The proposed regulations would apply to Form 1099-DA statements that are required to be furnished on or after January 1 of the calendar year immediately following the date the regulations are finalized. Written comments on the proposed regulations and requests for a public hearing are due by May 5, 2026.

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Notice 2026 4: Request for Comments on Broader Electronic Furnishing Rules

In a separate release issued contemporaneously with the proposed regulations, the Treasury Department and the IRS issued Notice 2026-4, requesting comments on whether and how the requirements with respect to electronic furnishing of statements reflecting information provided to the IRS on Form 1099-B, Proceeds from Broker and Barter Exchange Transactions, as well as other payee statements, should be modified.

The notice explains that the existing framework for electronic furnishing of payee statements, including the affirmative consent requirement and the obligation to furnish paper statements to customers who do not consent or who withdraw consent, may impose operational burdens and may not reflect current technology use among many recipients.

Accordingly, Notice 2026 4 invites comments on a broad range of issues, including:

- Whether the consent and furnishing rules for Form 1099 B composite statements should be revised
- Whether differences in the customer populations receiving 1099 B statements (compared to those receiving 1099 DA statements) should affect any modifications
- How to address situations where customers may prefer or require paper statements, including elderly customers or those with limited digital access
- Whether the list of forms eligible for inclusion in a composite statement (as described in Publication 1179, *General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns*) should be updated to include Form 1099 MISC for staking rewards, and
- Whether and how the rules governing the electronic furnishing of other payee statements under sections 6041 through 6050AA should be revised, including how any changes would interact with E SIGN Act requirements

Notice 2026 4 states that comments should be submitted by May 23, 2026, although consideration will be given to comments submitted thereafter if such consideration will not delay the issuance of guidance.

KPMG Observations

The IRS Advisory Council (IRSAC), in its 2024 Public Report, made several recommendations related to the emerging Form 1099-DA. One of these was the observation that, absent specific rules for Form 1099-DA recipient statement delivery, service providers would likely look at the existing section 6045 regulations that generally require brokers to mail statements to the payee's last known address. IRSAC noted that this paper-based model may not be practical or efficient for digital asset brokers that conduct virtually all transactions with their customers electronically. Accordingly, IRSAC recommended that the IRS permit brokers that facilitate digital asset trades through electronic means to furnish written statements to recipients electronically without requiring separate consent and encouraged the IRS to consider approaches, such as aggregated reporting, that would reduce the volume of Forms 1099-DA required, in light of the cost and environmental impact of large-scale printing and mailing.

Historically, section 6045 regulations were developed in the context of traditional brokerage relationships and paper-based or dual (paper and electronic) delivery models. As digital asset intermediaries and trading platforms have evolved, customer interactions and documentation collection are now conducted exclusively through digital channels. In this environment, maintaining parallel paper infrastructure for customers who do not consent to electronic delivery can impose incremental costs and operational complexity, particularly in high-volume, fully digital environments.

The proposed regulations and the broader request for comments in Notice 2026-4 reflect Treasury and the IRS's efforts to modernize information reporting processes in light of these developments.

While the proposed regulations provide an alternative process, brokers would still be required to obtain customer consent and provide appropriate disclosures regarding electronic delivery. In practice, brokers will need robust processes and controls to demonstrate that valid consent was obtained (for example, through click-through agreements, digital acknowledgments, or audit logs), to maintain records of those consents for compliance and examination purposes, and to ensure that electronically furnished statements are accessible in a reliable, secure, and timely manner. The explicit ability to terminate relationships with customers who do not consent to electronic delivery provides additional flexibility but may raise regulatory, contractual, and customer-relations considerations that need to be evaluated.

The proposed rules effectively allow digital asset brokers to operate on an electronic only model for Form 1099 DA reporting, but this is a business decision as much as a tax and compliance decision. Platforms may decide that electronic delivery is a condition of use (especially for app only or mobile first platforms). Others may maintain limited paper options for certain customer segments (e.g., high net worth, institutional clients, or regulated "full service" broker dealers) for relationship or regulatory reasons. Digital asset brokers will want to treat this as a client relationship decision in addition to a reporting change.

In addition, how a platform handles consent, communication, and access to statements may become part of its competitive positioning. Some may look to a frictionless onboarding process versus a more robust set of disclosures and flows. Clear, intuitive access to historical statements and tax documents (e.g., in app tax centers) may become a differentiator as tax reporting for digital assets matures.

While the proposed rules permit termination of customers who do not consent to electronic delivery, other frameworks may not be as permissive. Digital asset brokers should review compliance with securities and commodities regulators (the Securities and Exchange Commission (SEC), Commodities Futures Trading Commission (CFTC), Financial Industry Regulation Authority (FINRA), etc.) as they may have expectations around fair access, suitability, and disclosures that limit how quickly or under what conditions a relationship may be terminated. Consumer protection and unfair or deceptive trade practices may be implicated if customers are forced into electronic delivery without clear, comprehensible disclosures and an opportunity to understand consequences. Industry participants may want to coordinate their comments and positions across tax, legal, compliance, and regulatory affairs.

For platforms with non-U.S. customers, industry participants may want to review whether local privacy, e delivery, or consumer protection rules may impact how consent is obtained and whether “electronic-only” is permissible. They may need to implement differentiated processes for U.S. versus non-U.S. account holders, which could drive complexity in onboarding and documentation.

The proposed rules and Notice 2026-4 may signal movement toward more standardized electronic tax statement formats (e.g., application programming interfaces (APIs), machine readable formats consumed directly by tax software). Authorities may be looking to a potential future alignment of rules across assets (securities, derivatives, digital assets) and regimes (Foreign Account Tax Compliance Act (FATCA) / Common Reporting Standard (CRS style reporting). Industry participants may want to use the comment process to advocate for standardization of data schemas and codes across Forms 1099 B and 1099 DA and for clear guidance on treatment of complex digital asset events (staking, airdrops, forks, wrapping, decentralized finance (DeFi)) to avoid “non comparable” reporting across platforms.

Given the potential system, documentation, and process changes required, brokers may wish to begin assessing current consent language and onboarding flows, evaluate system capabilities for electronic delivery and retrieval, and begin planning for implementation once final regulations are issued. In light of the parallel request for comments in Notice 2026-4, KPMG recommends that taxpayers, brokers, withholding agents, and other filers carefully evaluate whether to submit comments, given the potential for these initiatives to significantly affect information reporting processes, and operational models going forward. KPMG will continue to monitor for updates.

To learn more about these updates or to sign up for IRP e-Alerts, contact:

Laurie M. Hatten-Boyd
206-213-4001
lhattenboyd@kpmg.com

Kelli Wooten
404-739-5888
kwooten@kpmg.com

Elis A. Prendergast
212-954-1968
epondergast@kpmg.com

Meghan M Anderson
585-454-1644
meghananderson@kpmg.com

Jesse Eggert
202-533-5512
jeggert@kpmg.com

Paul Malboeuf
212-954-1267
pmalboeuf@kpmg.com

Andrew McQuilkin
617-988-5857
amcquilkin@kpmg.com

Mark Naretti
212-872-7896
marknaretti@kpmg.com

Gerard Rose
203-356-9800
gerardrose@kpmg.com

Tara Thomas
212-954-6703
tarathomas@kpmg.com

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