



TaxNewsFlash

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Notice 2025-33: Extended transitional relief from reporting and backup withholding rules for custodial brokers effectuating digital asset transactions

The U.S. Treasury Department and IRS today released [Notice 2025-33](#) extending for an additional year the transitional relief provided in sections 3.01, 3.02, and 3.06 of [Notice 2024-56](#).

Notice 2024-56

Notice 2024-56 provided transitional relief to help phase in implementation of [final regulations](#) (T.D. 10000) regarding information reporting under sections 6045 and 6050W and backup withholding under section 3406 required for custodial brokers (i.e., those who take possession of the digital assets being sold by their customers) that regularly provide services effectuating certain digital asset sales and exchanges. [Read TaxNewsFlash](#)

In particular, Notice 2024-56 provided general transitional relief from reporting penalties and backup withholding for any broker who does not timely and accurately file information returns and furnish payee statements for sales and exchanges of digital assets during calendar year 2025, provided that the broker makes a good faith effort to comply with the reporting obligations. Additionally, the notice provides more limited relief from backup withholding for certain sales of digital assets during 2026 for brokers using the IRS's taxpayer identification number (TIN)-matching system in place of certified TINs. Finally, the notice provides backup withholding relief for exchanges of digital assets in return for specified non-fungible tokens (NFTs) and real property and for certain sales effected by processors of digital asset payments (PDAPs).

Notice 2025-33

As explained in a related IRS release—[IR-2025-67](#) (June 12, 2025), Notice 2025-33 extends and modifies the transitional relief provided in Notice 2024-56 for brokers who are required to file [Form 1099-DA, Digital Asset Proceeds From Broker Transactions](#) to report certain digital asset sale and exchange transactions by customers.

In particular, Notice 2025-33 extends the transitional relief from backup withholding tax liability and associated penalties for any broker that fails to withhold and pay the backup withholding tax for any digital asset sale or

exchange transaction effected during calendar year 2026. The notice also extends the limited transition relief from backup withholding tax liability for an additional year. Specifically, brokers will not be required to backup withhold for any digital asset sale or exchange transactions effected in 2027 for a customer (payee), if the broker submits that payee's name and TIN to the IRS's TIN Matching Program and receives a response that the name and TIN combination matches IRS records. Additionally, relief is provided to brokers that fail to withhold and pay the full backup withholding tax due, if the failure is due to a decrease in the value of withheld digital assets in a sale of digital assets in return for different digital assets in 2027, and the broker immediately liquidates the withheld digital assets for cash. Finally, the notice provides additional transitional relief for brokers for sales of digital assets effected during calendar year 2027 for certain customers that have not been previously classified by the broker as U.S. persons.

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