



# TaxNewsFlash

United States

No. 2026-126  
June 4, 2026

## U.S. Tax Court: Cryptocurrency staking rewards includible in income under section 61

The U.S. Tax Court today held that “cryptocurrency staking rewards” received by the taxpayer were includible in the taxpayer’s gross income under section 61.

The case is: *Paschall v. Commissioner*, T.C. Memo 2026-46 (June 4, 2026). Read the Tax Court’s [opinion](#)

### Summary

The taxpayer was the sole owner of an account with a digital asset platform. His account held tokens in a cryptocurrency using a proof-of-stake blockchain, and the platform executed a “staking process” on behalf of its customers, distributing staking rewards to them in proportion to the number of tokens they held in their accounts. The tokens that the taxpayer received as staking rewards were indistinguishable from the existing tokens in his account.

The platform issued to the taxpayer Form 1099-MISC, Miscellaneous Information, reporting \$33,354 in other income attributable to the staking rewards, but the taxpayer failed to report the income.

The Tax Court rejected the taxpayer’s various arguments that the staking rewards were not includible in the taxpayer’s income upon receipt. First, the court rejected the taxpayer’s argument that he did not possess dominion and control over the staked tokens because the platform restricted his ability to transfer the tokens to another wallet, because it was established that the taxpayer could have converted the tokens to cash at any time. The court also rejected the taxpayer’s argument that the staking rewards, like the pro rata stock dividends in *Eisner v. Macomber*, 252 U.S. 189 (1920), were not taxable until realized through a sale or disposition, because the staking rewards received by the taxpayer increased his proportion of all outstanding tokens. The court also rejected the taxpayer’s argument that the staking rewards were somehow “self-created property” since the taxpayer did nothing to create them.

Finally, the court stated that it did not need to consider the taxpayer’s contention that following *Loper Bright Enterprises v. Raimondo*, 144 S. Ct. 2244 (2024), the court could not rely on Rev. Rul. 2023-14 (in which the IRS determined staking rewards were includible in income), because its conclusion did not rest on Rev. Rul. 2023-14, but rather on section 61 and related case law.

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