

Bloomberg

https://news.bloombergtax.com/daily-tax-report/irs-narrows-scope-for-digital-asset-broker-reporting-guidance?utm_source=rss&utm_medium=DTNW&utm_campaign=00000184-53e3-d85d-adcf-5bfb1e0b0001

[Daily Tax Report](#)®

IRS Narrows Scope for Digital Asset Broker Reporting Guidance

Nov. 7, 2022, 5:24 PM

Digital asset brokers received “helpful” insight into what guidance the IRS and Treasury are considering for reporting client transactions with the release of the annual list of regulatory priorities.

Practitioners on Monday reacted to the annual [Priority Guidance Plan](#) for 2022-2023, which was released Friday. The plan includes additional plans to issue guidance on President Joe Biden’s tax-and-climate law, digital assets, the [CHIPS Act](#), and the [Superfund excise tax](#). It also covers projects carried over from the previous year.

The plan flags projects being worked on but doesn’t give indications on timing or the form guidance will take unless it explicitly says “regulations.”

The agencies elaborated on the plans for guidance for digital asset brokers who will be required to [report client transactions](#) starting Jan. 1 following the passage of the infrastructure bill.

The prior year’s priority guidance plan included plans to issue regulations for information reporting under [Section 6045](#), but 2023 separates the agencies’ plans for information reporting guidance, adding plans for regulations under [Section 6045A](#) and relating to transactions that are considered a trade or businesses under [Section 6050I](#).

It adds some clarity especially since proposed regulations haven’t been released, said Lisa Zarlenga, a partner at Steptoe & Johnson LLP and a former Treasury tax legislative counsel.

“I think a lot of people were just sort of wondering what the scope of them would be,” Zarlenga said.

There were concerns about the difficulty for groups such as stakers and miners to have access to information such as names, addresses, gains, and losses that would be required for reporting starting next year. Treasury [clarified](#) in February that miners and stakers won’t face the reporting requirements.

The industry has been expecting some relief for broker dealers to understand what the new reporting requirements mean, said Sahel Assar, a tax lawyer at Buchanan Ingersoll Rooney.

“There’s a lot of ambiguity and a lot of uncertainty as far as what taxpayers are required to report or how they are required to treat some of their transactions,” Assar said.

The agencies also explicitly mentioned staking in plans to address the validation of digital assets.

Without guidance on the treatment of staking, tax advisers “extrapolate” the treatment of mining into staking, said Adnan Islam, a tax partner at Marcum LLP.

“Instead of extrapolating based on similar transactions, I think tax advisers would welcome the specific guidance for digital asset and digital asset transactions, including staking to provide clients with more certainty and formal guidance straight from the source,” Islam said.

The agency also changed the terminology from virtual currency to digital assets to be more aligned with the industry and its recent update to the [1040 income tax form](#).

To contact the reporter on this story: Erin Slowey in Washington at eslowey@bloombergindustry.com

To contact the editors responsible for this story: Meg Shreve at mshreve@bloombergindustry.com; Butch Maier at bmaier@bloombergindustry.com