



(Original Signature of Member)

119TH CONGRESS
2^D SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to provide for the tax treatment of digital assets.

IN THE HOUSE OF REPRESENTATIVES

Mr. MILLER of Ohio and Mr. HORSFORD of Nevada introduced the following bill; which was referred to the Committee on

A BILL

To amend the Internal Revenue Code of 1986 to provide for the tax treatment of digital assets.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Digital Asset Protec-
5 tion, Accountability, Regulation, Innovation, Taxation,
6 and Yields Act” or the “Digital Asset PARITY Act”.

1 **SEC. 2. TAX TREATMENT OF REGULATED PAYMENT**
2 **STABLECOIN TRANSACTIONS.**

3 (a) **IN GENERAL.**—Part III of subchapter O of chap-
4 ter 1 of the Internal Revenue Code of 1986 is amended
5 by inserting after section 1045 the following new section:

6 **“SEC. 1046. REGULATED PAYMENT STABLECOIN TRANS-**
7 **ACTIONS.**

8 “(a) **SALE OF REGULATED PAYMENT**
9 **STABLECOIN.**—

10 “(1) **IN GENERAL.**—In the case of any sale or
11 exchange of a regulated payment stablecoin, no gain
12 or loss shall be recognized on such sale or exchange
13 unless the taxpayer’s basis in such stablecoin is less
14 than 99 percent of the redemption value of such
15 stablecoin.

16 “(2) **REDEMPTION VALUE.**—For purposes of
17 this subsection, the term ‘redemption value’ means
18 the dollar amount for which the issuer is obligated
19 to redeem such stablecoin.

20 “(b) **EXCHANGE OF REGULATED PAYMENT**
21 **STABLECOIN.**—In the case of any exchange of a regulated
22 payment stablecoin, the acquirer’s basis in such stablecoin
23 shall be deemed to be \$1.

24 “(c) **TRANSACTION COSTS NOT INCLUDED IN**
25 **BASIS.**—Amounts paid or incurred to facilitate the sale
26 or exchange of a regulated payment stablecoin shall not

1 be included in the calculation of the basis of such
2 stablecoin.

3 “(d) REGULATED PAYMENT STABLECOIN.—

4 “(1) IN GENERAL.—For purposes of this sec-
5 tion, the term ‘regulated payment stablecoin’ means
6 a digital asset—

7 “(A) that is a payment stablecoin issued
8 by a permitted payment stablecoin issuer,

9 “(B) with respect to which the issuer is ob-
10 ligated to convert, redeem, or repurchase the
11 payment stablecoin for a fixed amount of
12 United States dollars, and

13 “(C) which was acquired by the taxpayer
14 for a price within 1 percent of \$1.00.

15 “(2) DEFINITIONS.—The terms “payment
16 stablecoin” and “permitted payment stablecoin
17 issuer” have the meaning given those terms, respec-
18 tively, in section 2 of the GENIUS Act (12 U.S.C.
19 5901).

20 “(e) DEALERS AND TRADERS.—This section shall not
21 apply to the sale or exchange of any regulated payment
22 stablecoin by a taxpayer who is a dealer or trader in secu-
23 rities or commodities.

24 “(f) REGULATIONS AND GUIDANCE.—The Secretary
25 shall prescribe such regulations or other guidance as may

1 be necessary or appropriate to carry out this section, in-
2 cluding to prevent the avoidance of tax under this sec-
3 tion.”.

4 (b) CLERICAL AMENDMENT.—The table of sections
5 for part III of subchapter O of chapter 1 of the Internal
6 Revenue Code of 1986 is amended by inserting after the
7 item relating to section 1045 the following new item:

“Sec. 1046. Regulated payment stablecoin transactions.”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2025.

11 **SEC. 3. DIGITAL ASSET TRADING SAFE HARBOR.**

12 (a) IN GENERAL.—Paragraph (2) of section 864(b)
13 of the Internal Revenue Code of 1986 is amended by re-
14 designating subparagraph (C) as subparagraph (D) and
15 by inserting after subparagraph (B) the following new
16 subparagraph:

17 “(C) TRADED DIGITAL ASSETS.—

18 “(i) IN GENERAL.—Trading in traded
19 digital assets through a resident broker,
20 commission agent, custodian, or other
21 independent agent.

22 “(ii) TRADING FOR TAXPAYER’S OWN
23 ACCOUNT.—Trading in traded digital as-
24 sets for the taxpayer’s own account, wheth-
25 er by the taxpayer or the taxpayer’s em-

1 employees or through a resident broker, com-
2 mission agent, custodian, digital asset ex-
3 change, or other agent, and whether or not
4 any such employee or agent has discre-
5 tionary authority to make decisions in ef-
6 fecting the transactions. This clause shall
7 not apply in the case of a dealer in digital
8 assets.

9 “(iii) LIMITATION.—This subpara-
10 graph shall apply only if the digital assets
11 are of a kind customarily dealt in on a dig-
12 ital asset exchange.”

13 (b) CONFORMING AMENDMENT.—Subparagraph (D)
14 of section 864(b)(2) of the Internal Revenue Code of
15 1986, as redesignated by subsection (a), is amended by
16 striking “(A)(i) and (B)(i)” and inserting “(A)(i), (B)(i),
17 and (C)(i)”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 the date of enactment of this Act.

21 **SEC. 4. TAX TREATMENT OF DIGITAL ASSET LENDING**
22 **AGREEMENTS AND RELATED MATTERS.**

23 (a) IN GENERAL.—Subsection (a) of section 1058 of
24 the Internal Revenue Code of 1986 is amended by insert-

1 ing “, or eligible digital assets” after “(as defined in sec-
2 tion 1236(c))”.

3 (b) BASIS.—Subsection (c) of section 1058 of the In-
4 ternal Revenue Code of 1986 is amended by adding at the
5 end the following: “In the case of a basis adjustment to
6 securities or eligible digital assets with respect to which
7 an agreement is in place which meets the requirements
8 of subsection (b), such adjustment shall be made by fac-
9 toring in the return to the transferor of securities identical
10 to the securities transferred.”.

11 (c) SUBSTITUTE PAYMENTS.—Section 1058 of the
12 Internal Revenue Code of 1986 is amended by adding at
13 the end the following new subsection:

14 “(d) SUBSTITUTE PAYMENTS.—Any payment made
15 to a lender pursuant to an agreement described in sub-
16 section (b) in lieu of staking rewards, transaction fees,
17 protocol distributions, or other amounts that would other-
18 wise be payable with respect to a lent digital asset shall
19 be included in the gross income of the lender in the same
20 manner as if such amounts had been received directly by
21 the lender.”.

22 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
23 tion, or any amendments made by this section, shall be
24 construed to create any inference with respect to the clas-
25 sification of any digital asset as a security under the Secu-

1 rities Act of 1933 (15 U.S.C. 77a et seq.) or the Securities
2 Exchange Act of 1934 (15 U.S.C. 78a et seq.).

3 (e) RULEMAKING AUTHORITY.—The Secretary of the
4 Treasury (or the Secretary's delegate) may adopt rules to
5 implement the amendments made by this section, includ-
6 ing the application of the amendments made by this sec-
7 tion to forks, airdrops, and similar subsidiary value.

8 (f) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to exchanges in taxable years be-
10 ginning after the date of enactment of this Act.

11 **SEC. 5. APPLICATION OF WASH SALE RULES TO DIGITAL**
12 **ASSETS.**

13 (a) IN GENERAL.—Section 1091 of the Internal Rev-
14 enue Code of 1986 is amended—

15 (1) by striking “stock or securities” each place
16 it appears and inserting “specified assets”, and

17 (2) by striking “shares of” each place it ap-
18 pears.

19 (b) SPECIFIED ASSET.—Section 1091 of such Code
20 is amended by adding at the end the following new sub-
21 sections:

22 “(g) SPECIFIED ASSET.—For purposes of this sec-
23 tion—

24 “(1) IN GENERAL.—The term ‘specified asset’
25 means—

1 “(A) any stock or security, and

2 “(B) any digital asset.

3 “(2) CONTRACTS AND OPTIONS.—Except as
4 otherwise provided in regulations, the term ‘specified
5 asset’ shall include any contract or option to acquire
6 or sell any specified asset described in paragraph
7 (1).

8 “(h) TREATMENT OF CERTAIN ASSETS AS SUBSTAN-
9 Tially IDENTICAL.—

10 “(1) IN GENERAL.—For purposes of deter-
11 mining whether an asset is substantially identical to
12 any digital asset under this section, except to the ex-
13 tent provided by regulations prescribed by the Sec-
14 retary—

15 “(A) the determination of whether an asset
16 is substantially identical to any other asset shall
17 be made on the basis of the economic exposure
18 of the asset,

19 “(B) the mere fact that an asset may have
20 different or no voting rights shall not prevent
21 the asset from being substantially identical to
22 any other asset,

23 “(C) the mere fact that an asset may trade
24 on a different exchange (or no exchange) or a

1 different blockchain (or no blockchain) shall not
2 be taken into account, and

3 “(D) any asset that would not otherwise be
4 treated as substantially identical to another
5 asset shall not be so treated merely because the
6 asset is based on the same or substantially
7 similar protocol or computer code.

8 “(2) NO INFERENCE.—Nothing in this sub-
9 section shall create any inference as to whether any
10 property is substantially identical to any property
11 that is not a digital asset or as to whether any prop-
12 erty was substantially identical to any digital asset
13 before the effective date of this subsection.”.

14 (e) CONFORMING AMENDMENTS.—

15 (1) Sections 312(f)(1), 1256(f)(5), and
16 6045(g)(2)(B)(ii) are each amended by striking
17 “stock or securities” and inserting “specified as-
18 sets”.

19 (2) Section 1091(a) is amended by striking the
20 last sentence.

21 (3) Section 1091(e) (as amended by subsection
22 (a)) is amended to read as follows:

23 “(e) CERTAIN SHORT SALES OF SPECIFIED ASSETS
24 AND SPECIFIED ASSET FUTURES CONTRACTS TO SELL.—
25 Rules similar to the rules of subsection (a) shall apply to

1 any loss realized on the closing of a short sale of (or the
2 sale, exchange, or termination of a specified asset futures
3 contract to sell) specified assets if, within a period begin-
4 ning 30 days before the date of such closing and ending
5 30 days after such date—

6 “(1) substantially identical specified assets were
7 sold, or

8 “(2) another short sale of (or specified asset fu-
9 tures contracts to sell) substantially identical speci-
10 fied assets was entered into.

11 For purposes of this subsection, the term “specified asset
12 futures contract” has the meaning provided by section
13 1234B(c).”.

14 (4) The heading of section 1091 is amended by
15 striking “**STOCK OR SECURITIES**” and inserting
16 “**SPECIFIED ASSETS**”.

17 (5) The headings of subsections (b), (c), and
18 (d) of section 1091 are each amended by striking
19 “**STOCK**” each place it appears and inserting “**SPEC-**
20 **IFIED ASSETS**”.

21 (6) The item relating to section 1091 in the
22 table of sections for part VII of subchapter O of
23 chapter 1 is amended by striking “stock or securi-
24 ties” and inserting “specified assets”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to sales, dispositions, and termi-
3 nations after the date of enactment of this Act.

4 **SEC. 6. MARK-TO-MARKET ELECTION.**

5 (a) IN GENERAL.—Section 475 of the Internal Rev-
6 enue Code of 1986 is amended by redesignating subsection
7 (g) as subsection (h) and by inserting after subsection (f)
8 the following new subsection:

9 “(g) ELECTION OF MARK TO MARKET FOR DEALERS
10 AND TRADERS IN ACTIVELY-TRADED DIGITAL ASSETS.—

11 “(1) DEALER IN DIGITAL ASSETS.—In the case
12 of a dealer in actively-traded digital assets who
13 elects the application of this subsection, this section
14 shall apply to digital assets held by such dealer in
15 the same manner as this section applies to securities
16 held by a dealer in securities.

17 “(2) TRADER IN DIGITAL ASSETS.—In the case
18 of a person who is engaged in a trade or business
19 as a trader in actively traded digital assets, and who
20 elects to have this paragraph apply to such trade or
21 business as a trader in actively traded digital assets,
22 subsection (f)(1) shall apply to digital assets held by
23 the trader in connection with such trade or business
24 in the same manner as such subsection applies to se-
25 curities held by a trader in securities.

1 “(3) **LIMITATION.**—An election under this sec-
2 tion shall only apply to digital assets treated as ac-
3 tively traded (as defined by the Secretary).

4 “(4) **REGULATIONS AND GUIDANCE.**—The Sec-
5 retary shall issue such regulations and guidance as
6 are necessary to carry out the provisions of this sub-
7 section.”.

8 (b) **EFFECTIVE DATE.**—The amendment made by
9 this section shall apply to taxable years beginning after
10 the date of enactment of this Act.

11 **SEC. 7. APPLICATION OF CONSTRUCTIVE SALE RULES TO**
12 **DIGITAL ASSETS.**

13 (a) **IN GENERAL.**—Section 1259 is amended by in-
14 serting “digital asset,” after “debt instrument,” each
15 place it appears.

16 (b) **EFFECTIVE DATE.**—The amendment made by
17 this section shall apply to constructive sales after the date
18 of enactment of this Act.

19 **SEC. 8. TREATMENT OF DIGITAL ASSETS ACQUIRED**
20 **THROUGH VALIDATION ACTIVITIES.**

21 (a) **IN GENERAL.**—Chapter 1 is amended by insert-
22 ing after subchapter V the following new subchapter:

23 **“Subchapter W—Digital Assets Acquired**
24 **Through Validation Activities**

“Sec. 1400W-1. Inclusion in gross income; expenses not capitalized.

“Sec. 1400W-2. Election to defer inclusion of income and capitalize expenses.

“Sec. 1400W-3. Definitions.

1 **"SEC. 1400W-1. INCLUSION IN GROSS INCOME; EXPENSES**
2 **NOT CAPITALIZED.**

3 "In the case of the acquisition of any newly created
4 digital asset by a taxpayer which is a specified taxpayer
5 during any taxable year—

6 “(1) the fair market value of such asset shall
7 be included in such taxpayer’s gross income as ordi-
8 nary income for such taxable year, and

9 “(2) the taxpayer’s basis in such asset shall be
10 increased by the amount included in gross income
11 under paragraph (1).

12 **"SEC. 1400W-2. ELECTION TO DEFER INCLUSION OF INCOME**
13 **AND CAPITALIZE EXPENSES.**

14 “(a) IN GENERAL.—In the case of a taxpayer which
15 is a specified taxpayer for any taxable year to which an
16 election under subsection (c) applies—

17 “(1) any newly created digital asset acquired by
18 such taxpayer during such taxable year shall not be
19 included in the taxpayer’s gross income,

20 “(2) specified transaction costs paid or incurred
21 during such taxable year shall be chargeable to cap-
22 ital account and no deduction shall otherwise be al-
23 lowed under this subtitle with respect to such costs,
24 and

25 “(3) section 1400W-1 shall not apply.

1 “(b) GAIN AND LOSS ON DISPOSITION DURING
2 ELECTION PERIOD TREATED AS ORDINARY.—In the case
3 of the disposition of any newly created digital asset to
4 which subsection (a)(1) applies—

5 “(1) the excess (if any) of—

6 “(A) the amount realized (in the case of a
7 sale or exchange) or the fair market value of
8 such asset (in the case of any other disposi-
9 tion), over

10 “(B) the adjusted basis of such asset,
11 shall be treated as gain which is ordinary in-
12 come (and such gain shall be recognized not-
13 withstanding any other provision of this sub-
14 title), and

15 “(2) the excess (if any) of the amount described
16 in paragraph (1)(B) over the amount described in
17 paragraph (1)(A) shall be treated as loss which is
18 ordinary loss.

19 “(c) ELECTION.—

20 “(1) IN GENERAL.—An election under this sec-
21 tion shall apply for the taxable year for which made
22 and each of the four successive taxable years there-
23 after unless revoked by the taxpayer. Such election
24 shall be made at such time and in such manner as
25 the Secretary may provide.

1 “(2) APPLICATION TO PARTNERSHIPS AND S
2 CORPORATIONS.—In the case of any partnership or
3 S corporation, the election under this section shall
4 be made at the partnership or S corporation level.

5 “(d) GAINS AND LOSSES ON DISPOSITION AFTER
6 ELECTION PERIOD.—In the case of the sale, exchange, or
7 other disposition of a digital asset with respect to which
8 an election was in effect under subsection (b) for a prior
9 taxable year, gains and losses with respect to such asset
10 shall be treated as long-term capital gains or long-term
11 capital losses, as the case may be.

12 **“SEC. 1400W-3. DEFINITIONS.**

13 “For purposes of this subchapter—

14 “(1) NEWLY CREATED DIGITAL ASSET.—The
15 term ‘newly created digital asset’ means any digital
16 asset—

17 “(A) not previously owned by any person
18 other than the validator, and

19 “(B) that is issued in connection with the
20 validation of digital asset transactions.

21 “(2) SPECIFIED TAXPAYER.—The term ‘speci-
22 fied taxpayer’ means, with respect to the acquisition
23 of any newly created digital asset that is issued in
24 connection with the validation of digital asset trans-
25 actions, a taxpayer who is the person who validated

1 the digital asset transactions in connection with
2 which such digital asset was issued.

3 “(3) SPECIFIED TRANSACTION COSTS.—The
4 term ‘specified transaction costs’ means any amount
5 paid or incurred in validating any digital asset
6 transaction if, at the time such amount is paid or
7 incurred there is a reasonable possibility that the
8 taxpayer will acquire a newly created digital asset in
9 connection with such validation, including amounts
10 to—

11 “(A) claim or withdraw such asset from a
12 staking pool, validator, or protocol,

13 “(B) execute a smart contract function to
14 receive such asset, or

15 “(C) transfer such asset to a wallet or ac-
16 count controlled by the taxpayer.”.

17 (b) CLERICAL AMENDMENT.—The table of sub-
18 chapters for chapter 1 is amended by inserting after the
19 item relating to subchapter V the following new item:

“SUBCHAPTER W—DIGITAL ASSETS ACQUIRED THROUGH VALIDATION
ACTIVITIES”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to assets acquired in taxable years
22 beginning after December 31, 2025.

1 **SEC. 9. CHARITABLE CONTRIBUTIONS AND QUALIFIED AP-**
2 **PRAISALS.**

3 (a) **IN GENERAL.**—Section 170(f)(11)(A)(ii)(I) of the
4 Internal Revenue Code of 1986 is amended by inserting
5 “actively traded digital assets,” before “and any qualified
6 vehicle”.

7 (b) **CLARIFICATION OF APPLICATION TO QUALIFIED**
8 **APPRAISALS.**—Section 170(f)(11)(B) of such Code is
9 amended by adding at the end the following sentence:
10 “The requirements of this subparagraph shall not apply
11 to contributions of actively traded digital assets.”

12 (c) **SUBSTANTIATION AND VALUATION REQUIRE-**
13 **MENTS.**—Section 170(f) of such Code is amended by add-
14 ing at the end the following new paragraph:

15 “(20) **INFREQUENTLY TRADED DIGITAL AS-**
16 **SETS.**—

17 “(A) **IN GENERAL.**—In the case of a con-
18 tribution of a digital asset which is not an ac-
19 tively traded digital asset the claimed value of
20 which exceeds \$500—

21 “(i) paragraph (8) shall not apply and
22 no deduction shall be allowed under sub-
23 section (a) for such contribution unless the
24 taxpayer substantiates the contribution by
25 a contemporaneous written acknowledg-
26 ment of the contribution by the donee or-

1 organization that meets the requirements of
2 subparagraph (B) and includes the ac-
3 knowledgment with the taxpayer's return
4 of tax which includes the deduction, and

5 “(ii) if the organization sells such
6 asset, the amount of the deduction allowed
7 under subsection (a) shall not exceed the
8 gross proceeds received from such sale.

9 “(B) CONTENT OF ACKNOWLEDGMENT.—

10 An acknowledgment meets the requirements of
11 this subparagraph if it includes the following
12 information:

13 “(i) The name and taxpayer identi-
14 fication number of the donor.

15 “(ii) Details of the transfer of the dig-
16 ital asset contribution, including—

17 “(I) specific addresses involved in
18 the contribution,

19 “(II) a description of the digital
20 asset contributed, and

21 “(III) the date of the contribu-
22 tion.

23 “(iii) A certification that the digital
24 asset was sold in an arm's length trans-
25 action between unrelated parties.

1 “(iv) The amount of gross proceeds
2 from the sale described in clause (iii).

3 “(v) A statement that the deductible
4 amount may not exceed the amount the
5 gross proceeds described in clause (iv).

6 “(vi) Whether the donee organization
7 provided any goods or services in consider-
8 ation, in whole or in part, for the digital
9 asset.

“(vii) A description and good faith estimate of the value of any goods or services referred to in clause (vi), or if such goods or services consist solely of intangible religious benefits (as defined in 170(f)(8)(B)), a statement to that effect.

16 “(C) CONTEMPORANEOUS ACKNOWLEDGE-
17 MENT; INFORMATION TO SECRETARY.—Rules
18 similar to the rules of subparagraphs (C)(i) and
19 (D) of paragraph (12) shall apply.”.

20 (d) PENALTY FOR FRAUDULENT ACKNOWLEDG-
21 MENT.—

(1) IN GENERAL.—Part I of subchapter B of chapter 68 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

1 **“SEC. 6720D. FRAUDULENT ACKNOWLEDGMENTS WITH RE-**
2 **SPECT TO DONATIONS OF DIGITAL ASSETS.**

3 “(a) IN GENERAL.—Any donee organization required
4 under section 170(f)(20)(A) to furnish a contemporaneous
5 written acknowledgment to a donor which knowingly fur-
6 nishes a false or fraudulent acknowledgment, or which
7 knowingly fails to furnish such acknowledgment in the
8 manner, at the time, and showing the information re-
9 quired under section 170(f)(20), or regulations prescribed
10 thereunder, shall for each such act, or for each such fail-
11 ure, be subject to a penalty equal to the greater of—

12 “(1) the product of the highest rate of tax spec-
13 ified in section 1 and the sales price stated on the
14 acknowledgment, or

15 “(2) the gross proceeds from the sale of such
16 digital asset.

17 “(b) REGULATORY AUTHORITY.—The Secretary shall
18 prescribe such regulations or other guidance as may be
19 necessary to carry out the purposes of this section.”.

20 “(2) CLERICAL AMENDMENT.—The table of sec-
21 tions of part I of subchapter B of chapter 68 of such
22 Code is amended by adding at the end the following
23 new item:

“Sec. 6720D. Fraudulent acknowledgments with respect to donations of digital
assets.”

1 (e) **EFFECTIVE DATES.**—The amendments made by
2 this section shall apply to contributions and acknowledg-
3 ments made in taxable years beginning after the date of
4 enactment of this Act.

5 **SEC. 10. TAX TREATMENT OF CERTAIN DIGITAL ASSET AC-**
6 **TIVITIES.**

7 (a) **IN GENERAL.**—Section 7701 of the Internal Rev-
8 enue Code of 1986 is amended by redesignating subsection
9 (p) as subsection (q) and by inserting after subsection (o)
10 the following new subsection:

11 “(p) **TAX TREATMENT OF CERTAIN DIGITAL ASSET**
12 **ACTIVITIES.**—

13 “(1) **PASSIVE STAKING NOT A TRADE OR BUSI-**
14 **NESS.**—

15 “(A) **IN GENERAL.**—Passive staking shall
16 not constitute a trade or business, including for
17 purposes of sections 512 and 864.

18 “(B) **PASSIVE STAKING.**—For purposes of
19 this subsection—

20 “(i) **IN GENERAL.**—The term ‘passive
21 staking’ means staking by an individual or
22 entity that is a passive validator.

23 “(ii) **PASSIVE VALIDATOR.**—The term
24 ‘passive validator’ means, with respect to

1 the acquisition of any newly created digital
2 asset (as defined in section 1400W-3)—

3 “(I) the person who validated the
4 digital asset transactions in connec-
5 tion with which such digital asset was
6 issued, and

7 “(II) with respect to which there
8 are no deductible business expenses
9 relating to such validation activity.

10 “(2) DIGITAL ASSETS IN INVESTMENT
11 TRUSTS.—For purposes of this title, in the case of
12 a digital asset investment trust formed to hold dig-
13 ital assets—

14 “(A) any power held by the trustee to
15 stake or unstake digital assets, whether directly
16 or through delegation to another party, and to
17 perform any related acts to exercise such power
18 to stake, including the retention of staking re-
19 wards, shall not be treated as a power under
20 such trust agreement to vary the investment of
21 the certificate holders of such trust and shall
22 not otherwise disqualify an entity from charac-
23 terization as an investment trust that is not
24 classified as a business entity under this sec-
25 tion,

1 “(B) discretionary powers held by a trustee
2 to use other measures, including a borrowing
3 facility, to manage the trust’s potential need for
4 assets available to satisfy redemptions shall not
5 be treated as a power under the applicable trust
6 agreement to vary the investment of the certifi-
7 cate holders of such trust, and

8 “(C) discretionary powers held by a trustee
9 to act in response to changes to technology sup-
10 porting the digital assets held by the trust, in-
11 cluding with regard to staking, shall not be
12 treated as a power under the applicable trust
13 agreement to vary the investment of the certifi-
14 cate holders of such trust.”.

15 (b) **EFFECTIVE DATE.**—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 2025.

18 **SEC. 11. DEFINITIONS.**

19 Section 7701 of the Internal Revenue Code of 1986,
20 as amended by this Act, is amended—

21 (1) by redesignating subsection (q) as sub-
22 section (r), and

23 (2) by inserting after subsection (p) the fol-
24 lowing new subsection:

1 “(q) DEFINITIONS RELATED TO DIGITAL ASSETS.—

2 For purposes of this title—

3 “(1) DIGITAL ASSET.—The term ‘digital asset’
4 means a digital representation of value which is re-
5 corded on a cryptographically secured distributed
6 ledger or any similar technology as specified by the
7 Secretary.

8 “(2) DIGITAL ASSET EXCHANGE.—The term
9 ‘digital asset exchange’ means a platform which fa-
10 cilitates the transfer of digital assets by taking cus-
11 tody of, or exercising control over, such assets on be-
12 half of users.

13 “(3) ACTIVELY TRADED DIGITAL ASSET.—

14 “(A) IN GENERAL.—The term ‘actively
15 traded digital asset’ means, with respect to any
16 taxpayer for any taxable year, any digital
17 asset—

18 “(i) which is fungible,

19 “(ii) with a minimum trading volume
20 of \$50,000,000 for the two calendar years
21 immediately preceding the sale or exchange
22 of such asset,

23 “(iii) with a minimum yearly market
24 capitalization of \$10,000,000,000 for the

1 three calendar years immediately preceding
2 the sale or exchange of such asset, and

3 “(iv) with respect to which the tax-
4 payer and the related parties of the tax-
5 payer hold no more than 5 percent by
6 value or units of such asset.

7 “(B) INFLATION ADJUSTMENT.—In the
8 case of any calendar year after 2025, each of
9 the dollar amounts in subparagraph (A) shall
10 be increased by an amount equal to—

11 “(i) such amount, multiplied by

12 “(ii) the cost-of-living adjustment de-
13 termined under section 1(f)(3) for such
14 calendar year, determined by substituting
15 ‘calendar year 2024’ for ‘calendar year
16 2016’ in subparagraph (A)(ii) thereof.

17 Any increase determined under the preceding
18 sentence which is not a multiple of \$100,000
19 shall be rounded to the nearest multiple of
20 \$100,000.

21 “(4) ELIGIBLE DIGITAL ASSET.—The term ‘eli-
22 gible digital asset’ means a digital asset that—

23 “(A) is fungible,

1 “(B) is of a type for which a market price
2 is readily ascertainable based on publicly avail-
3 able quotations on a digital asset exchange,

4 “(C) does not represent or confer any own-
5 ership interest, equity interest, debt obligation,
6 or other financial or property right in any enti-
7 ty, asset, commodity, or enterprise, and

8 “(D) is designed and functions as a me-
9 dium of exchange, store of value, or unit of ac-
10 count, and is recorded and transferred through
11 distributed ledger or blockchain technology.

12 “(5) **TRADED DIGITAL ASSET.**—The term ‘trad-
13 ed digital asset’ means a digital representation of
14 value that—

15 “(A) is designed and functions as a me-
16 dium of exchange, store of value, or unit of ac-
17 count,

18 “(B) is recorded and transferred through
19 distributed ledger or blockchain technology,

20 “(C) does not represent or confer any own-
21 ership interest, equity interest, debt obligation,
22 or other financial or property right in any enti-
23 ty, asset, commodity, or enterprise, and

1 “(D) does not derive its value from, or rep-
2 resent a claim on, any fiat currency, com-
3 modity, security, or other financial instrument.

4 “(6) VALIDATION ACTIVITY.—The term ‘valida-
5 tion activity’ means staking, mining, or similar ac-
6 tivities in support of the validation of digital asset
7 transactions.

8 “(7) MINING.—The term ‘mining’, when used
9 in connection with a digital asset, means—

10 “(A) performing computations, or making
11 available computing power, in support of the
12 validation of digital asset transactions, and

13 “(B) except as otherwise provided by the
14 Secretary, any substantially similar activity.

15 “(8) STAKING.—The term ‘staking’, when used
16 in connection with a digital asset, means—

17 “(A) making such asset available in sup-
18 port of the validation of digital asset trans-
19 actions by pledging, deploying, immobilizing, or
20 locking to support validation of transactions on
21 a cryptographically secured distributed ledger,
22 or

23 “(B) except as otherwise provided by the
24 Secretary, any substantially similar activity.”.

1 **SEC. 12. STUDY AND REPORT ON RELIEF FOR DIGITAL**
2 **ASSET CONSUMER TRANSACTIONS.**

3 (a) **STUDY AND REPORT.**—Not later than 1 year
4 after the date of enactment of this Act, the Secretary shall
5 submit to Congress a report describing—

6 (1) the estimated compliance burden currently
7 imposed on taxpayers by gain recognition require-
8 ments for small digital asset transactions, expressed
9 in aggregate hours and dollars, and disaggregated
10 by income level,

11 (2) the extent to which information reporting
12 under section 6045 captures digital asset trans-
13 actions of \$200 or less, including the gap attrib-
14 utable to transactions conducted without a broker
15 intermediary,

16 (3) the administrative and technological re-
17 quirements necessary for the Internal Revenue Serv-
18 ice to verify taxpayer eligibility for a de minimis ex-
19 clusion within existing appropriations,

20 (4) the potential for abuse of a de minimis ex-
21 clusion, including through transaction fragmenta-
22 tion, the use of multiple accounts or wallets, and the
23 mischaracterization of investment dispositions as
24 consumer transactions, and the mechanisms avail-
25 able to detect and deter such abuse without impos-
26 ing additional taxpayer reporting burdens,

1 (5) the extent to which any de minimis exclu-
2 sion could be implemented in a manner that main-
3 tains consistency between taxpayer reporting and
4 third-party information reporting under section
5 6045,

6 (6) any disparities in reporting, compliance, or
7 enforcement between custodial and non-custodial
8 digital asset transactions that would arise from a de
9 minimis exclusion,

10 (7) recommended legislative or regulatory ap-
11 proaches, if any, that would provide meaningful con-
12 sumer relief while remaining administrable by the
13 Internal Revenue Service within existing resources,

14 (8) the cost of additional resources that would
15 enable the Internal Revenue Service to fully enforce
16 existing laws concerning digital assets,

17 (9) the extent to which tax reporting, compli-
18 ance, or enforcement does not meet Crypto Asset
19 Reporting Framework (CARF) standards, with rec-
20 ommended legislative or regulatory approaches, if
21 any, that would bring the United States into compli-
22 ance with CARF, and

23 (10) the extent of tax avoidance risks associated
24 with digital asset transactions, including through
25 noncompliance, offshore activity, or structuring tech-

1 niques, and the feasibility of establishing a voluntary
2 disclosure program to facilitate taxpayer compliance
3 with respect to such transactions.

4 (b) INTERIM GUIDANCE.—Not later than 180 days
5 after the date of enactment of this Act, the Secretary shall
6 issue guidance identifying categories of digital asset trans-
7 actions for which relief from gain or loss recognition may
8 be provided under existing authority, including where—

9 (1) compliance burdens are disproportionate
10 relative to potential tax liability, and

11 (2) such relief can be administered without un-
12 dermining information reporting or return matching.

13 (c) SENSE OF CONGRESS.—It is the sense of Con-
14 gress that—

15 (1) taxpayers should not be subject to undue
16 compliance burdens for low-value digital asset trans-
17 actions undertaken for personal consumption,

18 (2) any de minimis exclusion should be designed
19 to provide meaningful relief to users while maintain-
20 ing the integrity of the Federal tax system, and

21 (3) such relief should be implemented only in a
22 manner that is administrable within existing Inter-
23 nal Revenue Service resources.

24 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
25 tion shall be construed to—

1 (1) create or imply the existence of a de mini-
2 mis exclusion for digital asset transactions, or

3 (2) provide independent authority to the Sec-
4 retary to implement such an exclusion except to the
5 extent otherwise authorized under existing law.

6 (e) SECRETARY.—For purposes of this section, the
7 term “Secretary” means the Secretary of the Treasury or
8 the Secretary’s delegate.