What is Not in the First Final 6045 Regs



Blockchain Tax Conference ~ January 24, 2025

Speakers

- Bea Castaneda, Director, Tax Information Reporting Coinbase
- Erin Fennimore, VP of Enterprise Tax Solutions Taxbit
- Colby Mangels, Tax Policy Advisor OECD
- Taylor Reid, Retired Partner Baker & McKenzie LLP

Agenda

- Understanding the 6045 "Defi" Regs
- Wrapping, Staking & Lending
- Overlay of CARF Rules
- What's to Come: 6045A & 6050I Regulations



Digital Asset Broker Regulatory Timeline **All Accounts Documented Gross Proceeds Tracking Proposed Digital Asset** By 1/1/2027, all accounts **Broker Regulations** System readiness for must have Forms W-9/8. tracking proceeds paid along Released 1099-DA (with proceed plus with customer data cost basis reporting) **Non-Custodial Broker** 1099-DA Reporting 2023 2027 1st 1099-DA Gross Proceed **Reporting Period Finalized Digital Asset Broker Regulations Digital Asset Cost Basis** Released Tracking Required **Document new accounts** with Forms W9/8

Who is in Scope?

- Digital Asset Middleman = person responsible for providing an effectuating service
- Effectuating Service includes
 - O Trading Front-End Service, AND
 - O Provider would know or be in a position to know whether the transaction gives rise to reportable gross proceeds

Trading Front-End Service

- User interface that enables a user
 - O to input order details, and
 - O transmit those details to be carried out or settled on a distributed ledger

Being in a Position to Know

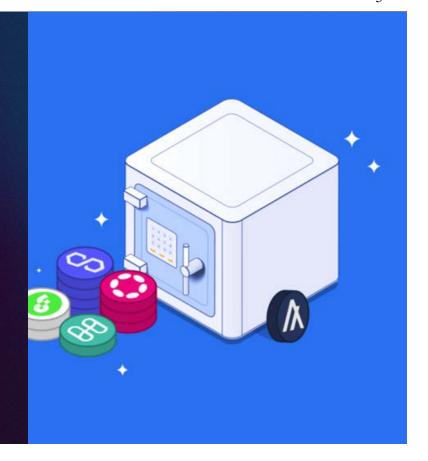
- Does the person have control or sufficient influence?
 - Ability to amend, update or otherwise affect the terms under which services are provided
 - O Ability to collect fees from the transaction flow
 - O Ability to track or receive confirmation back from the distributed ledger that the order was executed or posted by the ledger

Who is Out of Scope?

- Specific exceptions for:
 - O Validation Services
 - O Wallet hardware and software
 - O Operators of Digital Asset Trading Protocols
- Still treated as a broker for those transactions for which an effectuating service is provided

Liquidity & Staking Pool Providers

- Not explicitly covered
- No obligation to report: Notice 2024-57 granted relief due to lack of guidance on substantive tax treatment



Notice 2025-3

Transitional Relief for Trading Front-End Service Providers!

- Tax Year 2027: No Withholding or W-9 Requirement
- Tax Year 2028: If an account has a valid Name/TIN combo No Withholding or W-9 Requirement
- Prior to 1/1/29 may treat a customer as exempt foreign person if not otherwise classified as a US person.

CARF in the US

- Scope of "Relevant Crypto Asset"
 - O NFTs
 - O Stablecoins
- Treatment of covered entities
 - O RCASPs under CARF
 - O Non-US Brokers under 6045
 - O Non-custodial entities?
- Differences in information reported
- Coordination between regimes

Pending Regulations

Section 6045A

- Basis reporting for digital asset transfers that are not sales
 - O "Applicable person" ► Broker
 - O Broker ► Non-broker
- What about a non-custodial broker?
- Trading front-end service providers only report gross proceeds

Section 6050I

- Report receipt of >\$10,000 in "cash"
- Includes any "digital asset" as defined in section 6045(g)(3)(D)
- How would this apply to receipt from a non-person (e.g., mining and staking rewards)?