

## Blockchain Association's Principles on Digital Asset Tax Policy

*Below is Blockchain Association's consensus position on digital asset tax legislation and regulation. This position is articulated through a set of principles that provide a reasonable foundation for pro-innovation, pro-taxpayer digital asset tax policies, while affirming that taxpayers must comply with the law and deserve clear rules and workable tools to do so accurately.*

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- **Administrability and Practicality** – Tax policy should weigh the impact of unduly burdensome compliance requirements for individual taxpayers and the realities of IRS administrability.

Digital asset taxation should reflect the practical realities of modern financial activity. Requiring tax reporting for negligible gains or losses from routine transactions imposes disproportionate costs on individuals and overwhelms tax administration without meaningful revenue upside. A meaningful de minimis exemption for digital asset transactions would eliminate disproportionately onerous reporting for individual taxpayers required to collectively report billions of high-volume, low-dollar transactions. These reports would result in minimal revenue in capital gains collected from each taxpayer, and a meaningful de minimis exemption would allow the IRS to focus on transactions with genuine economic significance. Similarly, stablecoins should be treated as cash for tax purposes, avoiding the need to track fractional gains on routine transactions. Stablecoins should be removed from the definition of digital assets for purposes of reporting digital asset transactions under the new IRS Form 1099-DA.

- **Functional Consistency** – Tax legislation should treat economically similar financial products consistently, regardless of technical implementation. Current law should be appropriately modernized to capture new financial products. The U.S. tax system should not provide favorable or unfavorable treatment to like products and activities. Modernization and tech neutrality not only provide certainty for taxpayers but also ensure consistency as technologies advance and new products enter the market.

Mining and staking are core mechanisms for securing decentralized blockchain networks and allocating newly created digital assets to network participants. Taxing these assets upon creation creates distortions not present in comparable self-created property regimes. Treating mining and staking rewards as self-created property taxable upon disposition aligns taxation with actual economic gain. Because blockchain networks lack a meaningful geographic nexus, mining and staking rewards should be sourced to the token owner's residence and protected from undue designation as trade or business activity.

- **Privacy and Safety** – Tax reporting requirements should protect taxpayer privacy while achieving legitimate enforcement goals.

It is imperative to prevent the illicit use of digital assets through a fit-for-purpose reporting regime. However, applying cash-reporting constructs to digital assets on transparent blockchains risks unintended privacy and safety consequences. Additionally, as Congress has already determined on an overwhelmingly bipartisan basis, reporting obligations should apply only to intermediaries with custody or control over customer assets and must not treat non-custodial software developers or infrastructure participants as brokers.

- **Global Competitiveness** – Tax legislation should reduce friction for cross-border participation and maintain U.S. leadership in global digital asset markets.

Providing a statutory safe harbor for foreign persons trading digital assets on U.S. exchanges would align digital assets with established treatment for securities and commodities, support liquidity in U.S. markets, and reduce incentives for offshore migration. Tax legislation should also support the onshoring of digital asset developers, companies, and foundations in the U.S.

- **Anti-Abuse** – Tax legislation should address abuse while preserving everyday use of digital assets.

Extending wash sale rules to digital assets would close gaps in loss harvesting. Such changes should be carefully crafted to not disadvantage digital assets relative to traditional asset counterparts, paired with exemptions for employees compensated in digital assets, coordinated with mark-to-market regimes for actively traded assets, and tailored to avoid capturing non-custodial software or everyday, non-tax-motivated transactions.

- **Economic Ownership** – Taxation should follow economic substance and ownership, not technical form or temporary arrangements that do not alter economic exposure.

Users frequently move tokens between wallets they control, transfer assets to a smart contract to interact with an application, or represent the same asset on a different blockchain network. In each of these cases, the user still owns the same underlying asset, remains exposed to the same market risk, and has neither sold nor realized any new economic gain. These types of transactions should be treated as nonrecognition events. Taxation should only apply when a transaction actually changes the user's economic position, such as when an asset is sold, exchanged for a different asset, or otherwise converted into something with materially different economic exposure.

- **Equal Access** – Tax rules should permit digital assets to be used productively within existing investment and retirement structures.

Uncertainty around staking within grantor trusts and partnerships limits investor choice. Clarifying that staking does not constitute impermissible business activity—and that staking rewards qualify as permissible investment income—would allow digital assets to function alongside other yield-generating assets in regulated investment vehicles. Similarly, investors should be able to purchase digital assets in their retirement accounts as they see fit.

- **Market-Based Treatment** – Taxpayers should have access to accounting methods for digital assets that are consistent with other actively traded financial assets and enable digital asset trading and hedging volume in the United States with rules that are workable across spot, derivatives, and custody models.

Where digital assets have readily determinable market values, optional mark-to-market accounting can simplify reporting and align treatment with existing regimes for financial intermediaries. Taxpayers should be able to choose the method that best reflects their economic reality.

- **Workability** – Tax policy should encourage charitable contributions of digital assets without imposing unnecessary valuation barriers.

Many digital assets trade on transparent, liquid markets with publicly available pricing. Requiring costly third-party appraisals for such assets discourages charitable giving without improving valuation accuracy. The IRS should permit deductions for readily valued or regularly traded digital assets without imposing appraisal requirements designed for illiquid property.

- **Pro-Innovation** – Tax policy should explicitly recognize blockchain development as a qualifying area of technological advancement.

Blockchain infrastructure, cryptographic engineering, and smart contract development involve significant technical risk and experimentation. Clarifying eligibility for R&D tax credits would align tax incentives with national priorities in software innovation and next-generation financial infrastructure.