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Chairman Smith, Ranking Member Neal, and Members of the Committee, thank you for the opportunity to testify today on the need for digital asset tax legislation. My name is Sarah Reilly, and I am a Vice President and Senior Tax Counsel at Fidelity Investments based in Boston, Massachusetts. I am an attorney in the Corporate Tax Group focused exclusively on digital asset tax issues. Thank you to the Committee for its leadership, diligence, and foresight in undertaking the complex task of crafting tax legislation to bring much needed clarity and certainty to the digital assets ecosystem. I appreciate the opportunity to appear before you today and to share Fidelity's perspective on digital assets and the importance of implementing a modernized tax framework. If enacted, the proposed legislation would remove tax-related barriers to U.S. innovation and competitiveness in the digital asset space, allowing for blockchain technology to flourish in the United States.

FIDELITY INVESTMENTS - WHO WE ARE

For over 75 years, Fidelity has been focused on helping our customers invest and build financial security. As their needs evolve, we build solutions to meet them, and we continually look for ways to remove legal and tax roadblocks to such solutions. Today we serve millions of investors across retirement, brokerage, and workplace benefits, with $7 trillion in assets under management (AUM).

Fidelity offers a unique perspective in the digital asset space. As one of the only established, large financial institutions actively involved in the digital asset ecosystem, we are a bridge between traditional finance and digital assets. Fidelity has been engaged in the digital assets space for more than a decade. We began research and development on digital assets in 2014 and have supported customers' access to digital assets across institutional and retail channels since 2018. Fidelity now supports customers with respect to digital assets across custody, trading, retirement accounts, exchange-traded products, payment stablecoins, and blockchain research. That experience gives us a well-informed view of where existing tax rules map well to digital assets, where they do not, and where legislative clarification would improve consistency, administrability, and fairness.

WHY CRYPTO TAX LEGISLATION IS NEEDED

As digital assets play an increasingly important role in the U.S. financial system and broader economy, the Internal Revenue Code of 1986, as amended (the "Code"), must be modernized to provide taxpayers with clear, consistent, and administrable rules. Tax certainty supports industry growth and encourages business activity to grow domestically rather than offshore. As legislation moves forward to create frameworks for market structure, payment stablecoins, and other aspects of the digital asset industry, sound tax policy in the form of legislation and other guidance should move in step. Without clear tax rules, market participants may continue to encounter unnecessary

tax friction and uncertainty even as the broader legal framework evolves.

Most tax code provisions that could potentially apply to digital assets were written before the broad adoption of (and therefore without contemplating) digital assets, and the limited amount of sub-regulatory guidance addressing digital assets has proved wildly inadequate. General tax principles are a useful starting point but cannot address the full scope of new challenges and complexities introduced by digital assets, such as the receipt of income from staking and mining activities (which have no close non-digital analogue). Digital assets are used across a wide range of activities, including investment, payments, business activities, and decentralized finance, which can make it difficult to apply existing provisions of the Code in a consistent manner. In some cases, digital assets raise issues analogous to those presented by securities or commodities, yet current law often does not provide comparable treatment. The varied types and uses of digital assets necessitate thoughtful and tailored tax rules that address these unique considerations.

Absent legislative action, tax uncertainty has real and harmful consequences:

- It undermines taxpayer confidence and exposes taxpayers to unnecessary tax risk, particularly when varied interpretations result in confusing or contradictory tax advice from different advisers;
- It can produce inconsistent taxpayer outcomes, and create opportunities for more sophisticated taxpayers to take aggressive positions while discouraging market participation by careful taxpayers;
- It makes compliance more challenging, particularly for those without access to specialized tax advisers; and
- It incentivizes the offshoring of innovation and infrastructure, impairing U.S. competitiveness.

Although these issues may have once been viewed as affecting primarily crypto native market participants, the increasing use of blockchain technology in traditional finance has expanded their relevance. As a result, the lack of tax clarity impacts not only those directly involved in the crypto space but also the financial sector at large – for example, tokenized securities and payment stablecoins all run on blockchain.

WHERE CRYPTO TAX LEGISLATION IS NEEDED

Clear and administrable tax rules are needed to address: (i) issues that are unique to digital assets and blockchain technology, and (ii) areas where digital assets are similar to traditional investment assets but face disparate treatment. The guiding principles for any tax framework should be: (1) consistency with existing tax principles, (2) parity for digital assets with like assets classes (such as securities or commodities) where appropriate, (3) administrability, and (4) disincentivizing the offshoring of productive business activities and key infrastructure. Below I outline some of the most important digital asset tax issues that should be addressed by any legislation.

Issues Unique to Digital Assets

Validation Activity and Rewards

Background: Blockchain technology is a decentralized alternative to the traditional rails of the financial system. Validation activity (i.e., staking and mining) is critical to the integrity, security,

and success of any activity on a given protocol. Staking in particular has a wide impact on the overall financial system, as staking implicates not only transactions in the relevant native cryptocurrency (e.g., ETH on Ethereum), but also any transactions involving tokens (including payment stablecoins and tokenized securities) and decentralized finance (DeFi) applications layered onto the protocol.

Issues: The Code does not address the tax treatment of validation activity and any resulting rewards, and existing sub-regulatory guidance (i.e., IRS Notice 2014-21 and Rev. Rul. 2023-14) is insufficient to address the key tax issues implicated. Clarity is needed on (i) the tax treatment of rewards, including the timing, character, and source of income from validation activities, and (ii) whether delegated staking activities constitute a trade or business**.**

Tax treatment of rewards. Ambiguity persists regarding the timing, character, and sourcing of income from validation activities, as well as whether all types of rewards (e.g., transaction fees and newly minted tokens) should be treated uniformly for tax purposes.

- Timing/character. The key objectives for legislation addressing the timing and character of rewards should be clarity, consistency, and technological neutrality. Although IRS Notice 2014-21 and Rev. Rul. 2023-14 provide that mining and staking rewards are currently includible in gross income when the taxpayer has dominion and control over such rewards, the guidance does not address character. Additionally, some taxpayers disagree with the issued guidance on the timing of income recognition and may report such rewards in an inconsistent manner without further clarification.

- Sourcing. Sourcing for rewards (which determines whether foreign recipients of staking rewards are subject to U.S. withholding tax) is not expressly addressed in the Code or any administrative guidance. This lack of clarity presents unique issues for foreign taxpayers who have delegated their staked assets to a third-party validator (and therefore do not actively participate in the operation of such validator), who must attempt to source their staking income by analogy to other sourcing rules within the Code. The resulting uncertainty has incentivized staking providers to structure their operations in a manner that minimizes their connection to the United States (e.g., by locating validator nodes outside the United States) in order to reduce the likelihood that staking income of their non-U.S. clients is considered U.S. source income (and therefore subject to U.S. withholding tax). Sourcing should not be based on factors that are easily manipulable such that significantly different tax outcomes result based on immaterial differences (e.g., the location of validator nodes), and we believe that any sourcing rule should not hinder U.S. competitiveness in the digital asset market. Specifically, sourcing staking income to anywhere but the residence of the recipient would be expected to adversely impact the competitiveness of U.S. staking providers because foreign investors may opt to engage non-U.S. staking providers over U.S. staking providers in order to minimize U.S. withholding tax risk. Furthermore, U.S. custodians and U.S. issuers of investment products may be incentivized to engage with non-U.S. staking providers in order to maintain their competitiveness among non-U.S. investors.

Trade or business activity (delegated staking). Taxpayers may stake their digital assets in a variety of ways, both directly and indirectly. Certain taxpayers stake directly to a self-operated validator node, but many everyday investors opt to stake through a delegated staking arrangement. Rather than operating their own validator node, investors participating in delegated staking will contract

with another party (either with a third-party staking provider or through an arrangement with their custodian) to stake their digital assets to a validator node that they do not operate. Taxpayers staking through a delegated staking arrangement do not have direct involvement with the validator node. Neither the Code nor any administrative guidance expressly addresses whether staking activity (whether direct or indirect) is treated as a trade or business activity versus a passive activity to the taxpayer that has engaged a third party to stake its digital assets. This analysis is relevant to rules that govern both the taxation of such income to non-U.S. persons and the treatment of such income earned by tax-exempt organizations.

- For non-U.S. persons. Sec. 871 and Sec. 882 provide that income of a non-U.S. person that is effectively connected with the conduct of a U.S. trade or business is ("ECI") subject to U.S. federal income tax on a net basis. Foreign investors may be deterred from utilizing U.S. staking providers if staking income could be ECI.
- For tax exempt organizations (including individual retirement accounts ("IRAs")). Sec. 512 provides that income of a tax-exempt organization resulting from a business that is unrelated to its tax-exempt purposes ("UBTI") is subject to U.S. federal income tax, with various carveouts for specific types of income (generally passive investment income). Despite its similarity to other types of investment income already excluded from UBTI, staking income is not specifically addressed in the carveouts to UBTI, and thus there is significant uncertainty as to whether staking activity could result in UBTI to tax-exempt investors, including IRAs, which could deter tax-exempt investors from engaging in economically beneficial staking activities.

Proposed Legislation: We commend the Committee for tackling these challenging and complex issues in the proposed legislation. The "Tax Clarity for Mining and Staking Act" would provide critical clarity on several key issues requiring legislative action, without which inconsistent reporting among taxpayers and economically unproductive behavior will persist.

Tax treatment of rewards. Sec. 2(a) would clarify the timing and character for newly minted tokens, providing that such amounts are includible as ordinary income currently unless an election is made to defer income inclusion. If deferral is elected, income from the newly minted tokens would be taken into account as ordinary income upon disposition. Sec. 2(b) would provide essential sourcing rules for all validation activity rewards – sourcing all such amounts to the residence of the recipient – a clarification that would preserve U.S. competitiveness and remove a deterrent for building U.S.-based digital asset infrastructure.

While the proposed provision is a major step forward, it could be improved by addressing the timing and character of staking rewards derived from transaction fees, and not just newly minted tokens, in order to provide greater clarity and consistency. Specifically, we strongly recommend that all rewards be treated uniformly because determining the composition of staking rewards is complex and can be challenging to track, particularly for taxpayers who are staking through a custodian or third-party staking provider or who participate via investment in an exchange-traded product. Given that the newly minted tokens are the predominant element of the rewards, we recommend that all staking rewards be treated in the manner provided in the proposed provision for newly minted tokens.

Trade or business. The bill does not address how validation activities, and in particular delegated staking, is treated for purposes of the ECI or UBTI rules. We recommend that legislation clarify that rewards received through delegated staking arrangements, which are passive in nature, are

excluded from UBTI consistent with other types of passive investment income. Retail investors investing through IRAs and similar tax-exempt accounts are negatively impacted by the lack of such clarification because staking is a significant part of the value proposition of proof-of-stake cryptocurrency. We similarly recommend that rewards received through delegated staking arrangements be excluded from ECI given the passive nature of the activity for the digital asset owner.

Payment Stablecoins

Background: Payment stablecoins play an increasingly integral role in our financial system, which Congress has acknowledged in its passage of a legal framework for payment stablecoins. Clear and administrable tax rules are essential to the widespread adoption and success of U.S.-based and U.S. dollar-backed payment stablecoins. Under the GENIUS Act, regulated payment stablecoins must be backed 1:1 with reserves composed of specified, highly liquid assets and functionally operate as the digital equivalent of a U.S. dollar for users.

Issues: As property, the disposition of a payment stablecoin is treated as a taxable transaction even if minimal gain or loss is generated due to the value being pegged to a dollar. As a result, current rules impose friction inconsistent with the intended function of regulated payment stablecoins as dollar-referenced payment instruments by requiring information reporting and gain or loss recognition for transactions that typically generate only nominal amounts of gain or loss. The administrative burden is onerous for taxpayers, the government, and brokers.

Proposed Legislation: The "Less Tax Paperwork for Digital Asset Owners Act" would provide critical relief for users of regulated payment stablecoins, addressing key points of friction following the passage of the GENIUS Act. Sec. 4 would appropriately provide that dispositions of regulated payment stablecoins generate no gain or loss if the payment stablecoin was acquired for at least 99.5% of the redemption value and is sold for a price within 0.5% of the redemption value. Further, Sec. 5 would exclude dispositions of such payment stablecoins from broker reporting entirely, alleviating the burden of reporting dispositions with negligible gain or loss while having minimal impact on tax revenues. Lastly, subparagraph (D) of the definition of "stablecoin" would empower the Secretary to issue guidance to address situations where cash equivalent treatment for payment stablecoins would be suitable, which would be an appropriate delegation of authority due to the complexity and the need for the Treasury Department to consider and address implications of payment stablecoins throughout the Code.[1]

Transaction Fee Exemption

Background: Every on-chain transaction triggers a transaction fee, which is paid in the underlying cryptocurrency (e.g., ETH on Ethereum). Each payment of a transaction fee is treated as a separate disposition of property, with the potential to trigger micro gains or losses.

Issue: While the payment of transaction fees generally involves small amounts (which generate only trivial amounts of gain or loss), there is no de minimis exemption from treatment as a taxable transaction or from broker reporting. In other contexts where there are voluminous micro-amounts

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[1] For example, it would be helpful to clarify that the punitive excise tax under Sec. 4701, which is designed to discourage the use of bearer debt instruments, does not apply to regulated payment stablecoins.

that would otherwise be reportable, such as in the case of dividends or interest, there is a reporting threshold (e.g., $10 per year). Even with an exemption for payment stablecoins, transaction fees are still triggered by the underlying blockchain on which the payment stablecoins transact. The volume of reporting for these frequent and small transactions increases the complexity of taxpayer compliance and poses significant administrability concerns, with the generation of tax forms often costing more than amount reported and not providing the government with useful information.

Proposed Legislation: We commend the Committee's focus on administrability and reduction of taxpayer burden. Sec. 2 of the "Less Tax Paperwork for Digital Asset Owners Act" would meaningfully reduce the burden on taxpayers by providing for a de minimis exemption for transaction fees that are less than $10, exempting such microtransactions from triggering gain or loss. Sec. 5 would provide a corresponding carveout from broker reporting, ensuring that there is not a mismatch between how a taxpayer reports and broker reporting. Additionally, Sec. 3 includes a novel and thoughtful approach to further alleviate the compliance burden for taxpayers using digital assets in everyday transactions by allowing an election to aggregate such transactions annually.

Issues Relating to Parity Between Digital Assets and Traditional Finance

Investment Structures

Background: Digital asset investment products, such as U.S. digital asset exchange traded products (ETPs), democratize the availability of digital asset investments by making digital assets available in the same way that customers access securities. Most digital asset ETPs are structured as grantor trusts for tax purposes, though some may be structured as partnerships. Investors typically favor grantor trusts or partnerships because these structures have only one layer of taxation at the investor level (versus a corporation, which also has a tax at the entity level). Retail investors generally prefer grantor trusts because the tax forms received (i.e., IRS Forms 1099) are generally considered to be easier to understand than the Schedules K-1 issued by a partnership.

Issues: The rules governing available tax structures for investment products (e.g., grantor trusts, partnerships, and regulated investment companies ("RICs")) have not been updated to accommodate digital assets and related activities, such as staking.

Grantor Trusts. The Code does not expressly address whether staking activities are permitted in a grantor trust. Grantor trusts are subject to various rules and limitations, including that the trust (1) cannot be engaged in business activities, and (2) cannot have the power to vary its investment portfolio. The principle behind these restrictions is to ensure that the grantor trust is a passive investment vehicle. Accordingly, activities that produce passive income generally do not run afoul of these limitations. Revenue Procedure 2025-31 provided a safe harbor within which a grantor trust can participate in staking activity without jeopardizing its tax status as a grantor trust. While such guidance has been helpful, codifying the clarification that staking does not jeopardize the tax status of grantor trusts, and addressing the burdensome distribution requirement imposed by the Revenue Procedure, is critical for market stability and the management of tax risk for retail products.

Partnerships. For investment products structured as partnerships, clarification is needed on whether the "qualifying income" exception to the publicly traded partnership ("PTP") includes staking income. The PTP rules under Sec. 7704 require certain partnerships to be taxed as

corporations if interests in the partnership are, or are effectively equivalent to being, publicly traded. The "qualifying income" exception provides that partnerships with at least 90% qualifying income (generally, passive investment income) will not be taxed as corporations regardless of whether their interests are publicly traded. The definition of "qualifying income" under Sec. 7704(c) does not specifically address staking rewards or other income from digital assets.

Regulated Investment Companies. RICs, commonly known as mutual funds or exchange-traded funds ("ETFs"), are popular passive investment vehicles because they generally do not have an entity-level tax as long as the RIC meets certain qualifications for tax purposes under Sec. 851 through 855. Under the "good income" test, RICs must derive at least 90% of their gross income from "good income," which includes a number of types of passive income but does not include income generated from digital assets. Under the "asset diversification" tests, RICs cannot invest more than 25% of assets in a single security or asset, with limited exceptions for government securities, cash, and other RICs, but direct investments in digital assets are not valid for purposes of meeting the diversification requirements. Furthermore, payment stablecoins are not treated as "cash" for purposes of the "asset diversification" test.

Proposed Legislation: We applaud the Committee's proposal to provide durable tax certainty in this context through Sec. 3 of the "Tax Clarity for Mining and Staking Act," which would codify an investment trust's ability to stake its assets without jeopardizing its grantor trust status, with appropriate accommodations for such trusts to allow discretion to retain rewards and to manage trust liquidity. The Committee may wish to consider including in any final legislation updates to the partnership and RIC rules as described above to better accommodate digital assets, which would further support the increased availability of digital asset investment products to retail investors.

Digital Asset Loans (Sec. 1058)

Background: Securities lending transactions are an integral part of a healthy financial system and enhance the liquidity of financial markets. In these arrangements, the lender transfers securities to the borrower, and the borrower agrees to return securities identical to those borrowed. Sec. 1058 provides that these transfers are eligible for non-recognition treatment as long as certain requirements are met.

Issue: Congress enacted Sec. 1058 in 1978 to address the lending transactions that were most pertinent in our financial system at the time – the lending of securities, as defined under Sec. 1236(c). The lending market has evolved over time and expanded to assets other than securities, including digital assets. Digital assets are not "securities" for this purpose and are therefore not expressly covered under Sec. 1058. Accordingly, it is unclear under common law principles whether digital asset lending transactions result in recognition treatment with respect to the loaned asset each time a loan is initiated. Without legislative clarity, market participants may take inconsistent approaches, which creates risk, diminishes liquidity, and increases friction in the financial system.

Proposed Legislation: Sec. 2 of the "Providing Analogous Rules for Digital Assets Act" (or the "PAR Act") would provide much needed tax certainty by extending nonrecognition treatment to digital asset lending transactions. We also recommend that final legislation allow for fixed term loans to be eligible for nonrecognition treatment. Although the issue predates digital assets, the

limitation on fixed term loans particularly impacts digital asset lending markets where term securities loans are common.

Mark-to-Market (Sec. 475)

Background: The mark-to-market rules under Sec. 475 specify circumstances under which dealers and traders of securities and commodities are either required to or may elect to mark-to-market such assets (and thus deviate from general realization-based tax accounting principles).

Issue: The existing mark-to-market regime does not expressly include digital assets. Although certain digital assets, such as BTC and ETH, are generally considered in practice to be commodities for U.S. federal income tax purposes, the Code has not been updated to reflect such classification and the treatment for most other digital assets remains unsettled. Accordingly, it is unclear whether and to what extent dealers and traders in digital assets may elect into the mark-to-market rules under the current regime. Dealers and traders in digital assets may wish to elect into mark-to-market tax accounting for purposes of administrability and in order to provide a more accurate reflection of income, to better align digital assets with other marketable securities, and to avoid creating inconsistencies in tax treatment between different assets that they hold.

Proposed Legislation: Sec. 3 of the PAR Act would appropriately extend the availability of a mark-to-market election to dealers and traders of digital assets, consistent with the election available to dealers and traders of commodities (and traders of securities). As noted above, Sec. 3 of the "Less Tax Paperwork for Digital Asset Owners Act" would also provide for a simplified accounting method for any taxpayer with respect to its digital assets, allowing for similar administrative efficiencies. These provisions would bring much needed relief for both the industry and taxpayers at large to simplify their tax compliance burden.

U.S. Trading Safe Harbors (Sec. 864)

Background: Generally, if non-U.S. persons engage in a trade or business within the United States, any income that is effectively connected with that trade or business will be treated as ECI and therefore subject to U.S. tax on a net basis. Sec. 864 provides a safe harbor from having a U.S. trade or business for non-U.S. persons trading in securities or commodities through a U.S. broker, custodian or similar agent or for non-U.S. investors trading securities or commodities for their own account. This safe harbor serves to put U.S. brokers, custodians, asset managers, and other agents on a level playing field with their non-U.S. competitors. Without this safe harbor, non-U.S. investors would be deterred from using U.S.-based brokers, asset managers and similar parties in order to avoid any risk of being deemed to be engaged in a U.S. trade or business.

Issue: The existing trading safe harbors for securities and commodities do not expressly include digital assets. Although certain digital assets, such as BTC and ETH, are generally considered in practice to be commodities for U.S. federal income tax purposes (and therefore likely eligible for the safe harbors), the Code has not been updated to reflect such classification and the treatment for many digital assets remains unsettled. The lack of clarity on whether digital assets are eligible for the trading safe harbors may serve as a deterrent for non-U.S. investors to invest in digital assets in U.S. markets and through U.S. managers, which puts U.S. brokers, asset managers and similar parties at a disadvantage as compared with their non-U.S. counterparts. The tax policy reasons for the existing securities and commodities safe harbors should apply with equal force to digital assets.

Proposed Legislation: Sec. 4 of the PAR Act would appropriately extend the securities and commodities trading safe harbors to include a digital asset trading safe harbor. The addition of this safe harbor would bring tax certainty and support the competitiveness of U.S.-based brokers, asset managers and similar parties.

Charitable Contributions of Digital Assets (Sec. 170)

Background: Taxpayers generally may deduct the value of charitable contributions, including contributions of capital gain property, such as digital assets. Taxpayers can generally deduct the fair market value of appreciated capital gain property to public charities described in Sec. 170(b)(1)(A) (e.g., churches, schools, public charities), but deductions are reduced by the amount of the property's built-in gain if the taxpayer is donating appreciated capital gain property to a tax-exempt organization described in Sec. 170(b)(1)(B) (e.g., private nonoperating foundations). Furthermore, donations of non-cash property exceeding $5,000 in value to any type of tax-exempt organization generally must be substantiated with a qualified appraisal, resulting in increased costs to the taxpayer. Readily valued property, such as publicly traded securities, are generally exempted from both the limitation on deduction for donations to private nonoperating foundations and the qualified appraisal substantiation requirements.

Issue: Despite the ready availability of valuations for actively traded digital assets, the rules requiring qualified appraisals and limiting the deductibility of certain donations have not been updated to exclude actively traded digital assets in the way that actively traded securities are excluded under current law. The qualified appraisal requirements and limitations on donations to private nonoperating foundations are a deterrent for taxpayers wishing to donate digital assets to tax-exempt organizations of their choice.

Proposed Legislation: Sec. 2 of the "Charitable Deductions for Digital Asset Donations Act" would remove barriers to charitable giving by appropriately expanding the types of assets eligible for deduction without a qualified appraisal to include certain "widely traded digital assets." Consistent with "qualified appreciated stock," final legislation should also allow taxpayers donating appreciated widely traded digital assets to a private nonoperating foundation a full deduction.

Wash Sales (Sec. 1091) / Constructive Sales (Sec. 1259)

Background: Sec. 1091 and Sec. 1259 of the Code are anti-abuse provisions. Under Sec. 1091 (the "wash sale" rules), taxpayers are disallowed losses if they sell a security at a loss and acquire a substantially identical security within a window starting 30 days before and ending 30 days after the sale of the relevant security. Under Sec. 1259 (the "constructive sale" rules), taxpayers trigger gain with respect to appreciated financial positions where gain would not otherwise have been triggered because the taxpayer is deemed to have effectively "sold" their position in substance by virtue of entering into an offsetting position that eliminates substantially all of the taxpayer's opportunity for gain and risk of loss.

Issue: Under current law, neither Sec. 1091 nor Sec. 1259 applies to digital assets.

Proposed Legislation: We commend the Committee's thoughtful consideration of how existing

anti-abuse rules should apply to digital assets.[2] Sec. 2 of the "Applying Existing Tax Anti-Abuse Rules to Digital Assets Act" would extend the wash sale rules to digital assets. In an acknowledgement of the challenges and unique fact patterns within digital assets, Sec. 2(c) would carve out regulated payment stablecoins and the acquisition of digital assets from validation activity from the wash sale rules, which would address the concern that the wash sale rules could be triggered as a result of ordinary course engagement with protocol activity. We recommend that final legislation also include a corresponding carveout for sales of digital assets to pay transaction fees that exceed the de minimis or to fund product-level management fees and expenses. Sec. 3 would extend the constructive sale rules to digital assets.

CONCLUSION

On behalf of Fidelity and the millions of customers we serve, we appreciate the invitation to share our views and contribute to this important dialogue. We commend the tremendous work of the Committee in putting forth a tax framework that would address key areas of uncertainty in the digital asset space and provide a critical and much needed foundation for taxpayers while balancing the priorities of clarity, parity, and administrability.[3] We applaud Congressional efforts to identify and address the gaps in the existing tax framework to support U.S. growth in the digital asset industry, and we look forward to continuing to work with the Committee to implement a modernized tax framework for digital assets.

[2] Although not addressed specifically in this written testimony, we commend the Committee's thoughtful consideration of providing clarification for sourcing to address certain tax avoidance schemes in the "End Digital Assets Tax Shelters Act."

[3] We note that while not discussed in detail in this written testimony, we commend the Committee's proposal for a voluntary disclosure program in the "Digital Assets Voluntary Disclosure Program Act."