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(Original Signature of Member)

119TH CONGRESS  
2D SESSION

# H. R. 10357

To amend the Internal Revenue Code of 1986 to reform the tax treatment of digital assets, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. SMITH of Missouri introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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## A BILL

To amend the Internal Revenue Code of 1986 to reform the tax treatment of digital assets, and for other purposes.

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; ETC.**

4       (a) **SHORT TITLE.**—This Act may be cited as the  
5       “Digital Asset Tax Certainty Act”.

6       (b) **REFERENCES.**—Except as otherwise expressly  
7       provided, whenever in this Act an amendment or repeal  
8       is expressed in terms of an amendment to, or repeal of,  
9       a section or other provision, the reference shall be consid-

1 ered to be made to a section or other provision of the In-  
2 ternal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents for  
4 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—REMOVING TAX BARRIERS TO THE USE OF DIGITAL  
ASSETS AS A MEDIUM OF EXCHANGE

Sec. 101. Treatment of de minimis digital asset fees.

Sec. 102. Simplified accounting for gain and loss on widely traded digital as-  
sets.

Sec. 103. Treatment of U.S. dollar stablecoin transactions.

TITLE II—PROVIDING PARITY BETWEEN DIGITAL ASSETS AND  
COMPARABLE TRADITIONAL FINANCIAL ASSETS

Sec. 201. Transfers of traded digital assets pursuant to a lending agreement.

Sec. 202. Dealers and traders of widely traded digital assets.

Sec. 203. Digital asset trading safe harbor.

Sec. 204. Charitable contributions of certain digital assets.

TITLE III—APPLYING EXISTING TAX ANTI-ABUSE RULES TO  
DIGITAL ASSETS

Sec. 301. Application of wash sale rules to traded digital assets.

Sec. 302. Application of constructive sale rules to digital assets.

Sec. 303. Application of subpart F and PFIC rules.

Sec. 304. Rules related to possessions for determining source of gain or loss on  
disposition of traded digital assets.

Sec. 305. Application of registration-required obligation rules.

Sec. 306. Certain rules related to character of gains and losses relating to dig-  
ital assets.

Sec. 307. Miscellaneous provisions.

TITLE IV—CLARIFYING THE TAX TREATMENT OF MINING AND  
STAKING

Sec. 401. Source and character of mining and staking income.

Sec. 402. Investment trusts engaged in digital asset staking.

TITLE V—ENSURING THAT OWNERS AND USERS OF DIGITAL  
ASSETS FACE AN APPROPRIATE TAX COMPLIANCE BURDEN

Sec. 501. Broker requirements.

Sec. 502. Establishment of Digital Asset Voluntary Disclosure Program.

Sec. 503. Treasury study and report.

TITLE VI—DEFINITIONS; REGULATIONS; RULES OF  
CONSTRUCTION

Sec. 601. Definitions.

Sec. 602. Regulations.

Sec. 603. Rules of construction.

TITLE VII—FULL HOUSE ACT

Sec. 701. Reinstatement of rules for wagering losses.

1 (d) CROSS REFERENCE TO DEFINED TERMS RE-  
2 LATED TO DIGITAL ASSETS.—For definitions of certain  
3 terms related to digital assets used in the amendments  
4 made by this Act to the Internal Revenue Code of 1986,  
5 see the amendments made by section 601 of this Act.

6 **TITLE I—REMOVING TAX BAR-**  
7 **RIERS TO THE USE OF DIG-**  
8 **ITAL ASSETS AS A MEDIUM OF**  
9 **EXCHANGE**

10 **SEC. 101. TREATMENT OF DE MINIMIS DIGITAL ASSET**  
11 **FEES.**

12 (a) IN GENERAL.—Part III of subchapter O of chap-  
13 ter 1 of subtitle A is amended by inserting after section  
14 1043 the following new section:

15 **“SEC. 1044. DE MINIMIS DIGITAL ASSET FEE EXCEPTION.**

16 “(a) IN GENERAL.—No gain or loss shall be recog-  
17 nized on the disposition of a digital asset in payment of—

18 “(1) a de minimis network fee, or

19 “(2) a de minimis transaction fee.

20 “(b) DE MINIMIS NETWORK FEE.—For purposes of  
21 this section—

22 “(1) IN GENERAL.—The term ‘de minimis net-  
23 work fee’ means an amount paid or incurred in a

1 digital asset transaction to validate another digital  
2 asset transaction if the aggregate amount so paid or  
3 incurred with respect to the validation of such other  
4 digital asset transaction does not exceed \$10.

5 “(2) NETWORK FEE.—The term ‘network fee’  
6 means any amount which would be a de minimis  
7 network fee if paragraph (1) were applied without  
8 regard to the dollar limitation specified therein.

9 “(c) DE MINIMIS TRANSACTION FEE.—For purposes  
10 of this section—

11 “(1) IN GENERAL.—The term ‘de minimis  
12 transaction fee’ means an amount (other than a net-  
13 work fee) paid or incurred as a brokerage fee, trad-  
14 ing fee, liquidity fee, or similar fee, to facilitate a  
15 transfer of a digital asset (hereafter referred to as  
16 the ‘underlying digital asset transfer’) if—

17 “(A) the digital asset disposed of in pay-  
18 ment of such fee is a digital asset of the same  
19 type as the type of digital asset disposed of or  
20 acquired by the taxpayer in the underlying dig-  
21 ital asset transfer, and

22 “(B) the aggregate of such amounts with  
23 respect to such underlying digital asset transfer  
24 does not exceed \$10.

1           “(2) TRANSACTION FEE.—The term ‘trans-  
2           action fee’ means any amount which would be a de-  
3           minimis transaction fee if paragraph (1) were ap-  
4           plied without regard to the dollar limitation specified  
5           therein.

6           “(3) TYPE OF DIGITAL ASSET.—A type of dig-  
7           ital asset shall be determined under rules similar to  
8           the rules of section 1051(b)(2).

9           “(d) DISPOSITION OF DIGITAL ASSET USED TO PAY  
10          NETWORK OR TRANSACTION FEE.—For purposes of this  
11          title, any payment of a network fee or transaction fee  
12          using a digital asset shall be treated as a disposition of  
13          such asset in exchange for consideration equal to the fair  
14          market value of such asset (and, in the case of a network  
15          fee, shall not fail to be treated as such a payment merely  
16          because such asset is not acquired by another person).

17          “(e) TREATMENT OF UNRECOGNIZED GAIN OR  
18          LOSS.—The amount of any network fee or transaction fee  
19          that is taken into account in determining the amount of  
20          gain or loss on the disposition of any asset, in determining  
21          the amount of any deduction, or in determining the basis  
22          of any asset acquired, shall be reduced by the amount of  
23          any gain, or increased by the amount of any loss, not rec-  
24          ognized by reason of subsection (a) with respect to the

1 disposition of the digital asset used to pay such network  
2 fee or transaction fee.

3 “(f) EXCLUSIONS.—

4 “(1) TRADE OR BUSINESS.—

5 “(A) IN GENERAL.—Subsection (a) shall  
6 not apply to the disposition of a digital asset  
7 by—

8 “(i) a trader, broker, or dealer in dig-  
9 ital assets,

10 “(ii) a person in the trade or business  
11 of batching or facilitating the validation of  
12 digital asset transactions on behalf of oth-  
13 ers,

14 “(iii) to the extent provided by the  
15 Secretary, any person in a trade or busi-  
16 ness which is substantially similar to a  
17 trade or business described in clause (i) or  
18 (ii), or

19 “(iv) any person that engaged in more  
20 than 5,000 transfers of digital assets dur-  
21 ing the preceding taxable year (determined  
22 without regard to any transfer made in  
23 payment of a de minimis network fee or a  
24 de minimis transaction fee).

1 “(B) ADMINISTRATIVE CONVENIENCE EX-  
2 CEPTION.—

3 “(i) IN GENERAL.—Subparagraph (A)  
4 shall not apply to any taxpayer that dem-  
5 onstrates to the Secretary that such tax-  
6 payer is of a type with respect to which not  
7 applying subparagraph (A) will not result  
8 in a substantial Federal revenue loss.

9 “(ii) GUIDANCE.—The Secretary shall  
10 issue regulations or other guidance that—

11 “(I) identifies different types of  
12 taxpayers with respect to which not  
13 applying subparagraph (A) will not re-  
14 sult in substantial Federal revenue  
15 loss, and

16 “(II) specifies with respect to  
17 each such type of taxpayer the infor-  
18 mation that such taxpayer must pro-  
19 vide to make the demonstration de-  
20 scribed in clause (i).

21 “(iii) CERTAIN FACTORS REQUIRED  
22 TO BE TAKEN INTO ACCOUNT.—The regu-  
23 lations or other guidance issued by the  
24 Secretary under clause (ii) shall—

1           “(I) for purposes of determining  
2           the classification of types of tax-  
3           payers, and whether any Federal rev-  
4           enue loss from not applying subpara-  
5           graph (A) with respect to any such  
6           type of taxpayer would be substantial,  
7           take into account the method or meth-  
8           ods used by such type of taxpayer for  
9           selecting the digital assets used to pay  
10          network and transaction fees and the  
11          average holding period of such digital  
12          assets by such type of taxpayer, and  
13          “(II) determine Federal revenue  
14          loss by reducing such loss by a rea-  
15          sonable approximation of the addi-  
16          tional administrative costs of the De-  
17          partment of the Treasury, and the ad-  
18          ditional compliance costs of such type  
19          of taxpayer (and any person who  
20          would be required to make additional  
21          information return reporting with re-  
22          spect to such type of taxpayer), which  
23          would be imposed if subparagraph (A)  
24          were to apply to such type of tax-  
25          payer.

1           “(2) CERTAIN ACCOUNTING METHODS.—Sub-  
2       section (a) shall not apply to any digital asset—

3           “(A) to which subsection (a), (e), (f), or  
4       (g) of section 475, section 1051(a), or section  
5       1256(a) applies, or

6           “(B) except as otherwise provided by the  
7       Secretary, to which a mark-to-market method  
8       applies under any other provision of this sub-  
9       title.

10       “(g) REGULATIONS.—The Secretary shall issue such  
11   regulations or other guidance as may be necessary or ap-  
12   propriate to carry out the purposes of this section, includ-  
13   ing regulations or guidance to prevent the abuse of this  
14   section through—

15       “(1) transaction structuring for the purpose of  
16   qualifying for the exclusion provided in subsection  
17   (a), and

18       “(2) the receipt of any value in exchange for a  
19   network fee or transaction fee other than—

20       “(A) in the case of a network fee, the vali-  
21   dation of a digital asset transaction, or

22       “(B) in the case of a transaction fee, the  
23   brokerage, trading, liquidity, or similar digital  
24   asset transfer service.”.

1 (b) CLERICAL AMENDMENT.—The table of sections  
2 for part III of subchapter O of chapter 1 of subtitle A  
3 is amended by inserting after the item relating to section  
4 1043 the following new item:

“Sec. 1044. De minimis digital asset fee exception.”.

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to the disposition of assets after  
7 December 31, 2027.

8 **SEC. 102. SIMPLIFIED ACCOUNTING FOR GAIN AND LOSS**  
9 **ON WIDELY TRADED DIGITAL ASSETS.**

10 (a) IN GENERAL.—Part IV of subchapter O of chap-  
11 ter 1 of subtitle A is amended by inserting before section  
12 1052 the following new section:

13 **“SEC. 1051. ELECTION TO APPLY SIMPLIFIED ACCOUNTING**  
14 **FOR GAIN AND LOSS ON WIDELY TRADED**  
15 **DIGITAL ASSETS.**

16 “(a) IN GENERAL.—In the case of any designated  
17 type of digital asset with respect to any taxpayer for any  
18 taxable year—

19 “(1) such taxpayer shall recognize gain on such  
20 designated type of digital asset for such taxable year  
21 equal to the excess (if any) of—

22 “(A) the sum of—

23 “(i) the aggregate amount realized by  
24 the taxpayer on sales or exchanges (includ-  
25 ing nonrecognition transactions) of widely

1           traded digital assets of such designated  
2           type during such taxable year,

3           “(ii) in the case of dispositions (in-  
4           cluding nonrecognition transactions), other  
5           than sales or exchanges described in clause  
6           (i), of widely traded digital assets of such  
7           designated type, the fair market value of  
8           such widely traded digital assets (deter-  
9           mined as of the time of such dispositions),  
10          and

11          “(iii) the fair market value of widely  
12          traded digital assets of such designated  
13          type held by such taxpayer as of the close  
14          of the taxable year, over

15          “(B) the sum of—

16               “(i) the fair market value of consider-  
17               ation provided by the taxpayer for the ac-  
18               quisition of widely traded digital assets of  
19               such designated type during the taxable  
20               year (other than any portion of such acqui-  
21               sition to which clause (iii) applies),

22               “(ii) in the case of any disposition de-  
23               scribed in subparagraph (A)(ii), any  
24               amounts which would have reduced the  
25               amount realized by the taxpayer on such

1 disposition if such disposition had been a  
2 sale or exchange,

3 “(iii) in the case of the acquisition of  
4 widely traded digital assets of such des-  
5 ignated type during the taxable year the  
6 basis of which in the hands of the taxpayer  
7 is determined by reference to the basis of  
8 such assets in the hands of the transferor,  
9 the basis of such assets in the hands of the  
10 taxpayer immediately after such acquisi-  
11 tion,

12 “(iv) in the case of any adjustment to  
13 the basis of a widely traded digital asset of  
14 such designated type (including adjust-  
15 ments under sections 734(b) and 743(b)),  
16 the net dollar amount (positive or nega-  
17 tive) of any adjustment to basis of such  
18 widely traded digital asset, and

19 “(v) the fair market value of widely  
20 traded digital assets of such designated  
21 type held by such taxpayer as of the close  
22 of the preceding taxable year,

23 “(2) such taxpayer shall recognize loss on such  
24 designated type of digital asset for such taxable year  
25 equal to the excess (if any) of—

1 “(A) the amount described in paragraph  
2 (1)(B), over

3 “(B) the amount described in paragraph  
4 (1)(A), and

5 “(3) except as provided in paragraphs (1) and  
6 (2), such taxpayer shall not recognize any gain or  
7 loss on the disposition of widely traded digital assets  
8 of such designated type.

9 “(b) DESIGNATED TYPE OF DIGITAL ASSET.—For  
10 purposes of this section—

11 “(1) IN GENERAL.—The term ‘designated type  
12 of digital asset’ means, with respect to any taxpayer  
13 for any taxable year, any type of widely traded dig-  
14 ital asset (other than any qualified U.S. dollar  
15 stablecoin) with respect to which such taxpayer  
16 elects the application of this section for such taxable  
17 year.

18 “(2) TYPE OF WIDELY TRADED DIGITAL  
19 ASSET.—Widely traded digital assets shall be treated  
20 as being of the same type if, and only if—

21 “(A) such assets are fungible, or

22 “(B) such assets are determined under  
23 rules provided by the Secretary to have values  
24 that are directly linked or highly correlated.

25 “(3) POOL TOKEN ASSETS.—

1           “(A) IN GENERAL.—For purposes of this  
2           section, qualified pool token assets shall be  
3           treated as widely traded digital assets, but shall  
4           be treated as widely traded digital assets with  
5           respect to any taxpayer if, and only if—

6                   “(i) not more than 10 percent of such  
7           tokens are owned, directly or indirectly, by  
8           the taxpayer or any person described with  
9           respect to the taxpayer under section  
10          267(b) (applied without regard to section  
11          267(c)(3)) or section 707(b)(1), and

12                   “(ii) the taxpayer and such persons do  
13          not have control or effective management  
14          of the composition of the assets to which  
15          the value of such tokens is attributable, in-  
16          cluding in a manner similar to a manager,  
17          sponsor, director, shareholder, general  
18          partner, commonly controlled affiliate, or  
19          other similar role.

20          “(B) QUALIFIED POOL TOKEN ASSET.—  
21          For purposes of this subsection, the term  
22          ‘qualified pool token asset’ means any type of  
23          digital asset (determined under paragraph (2)  
24          by substituting ‘digital assets’ for ‘widely traded  
25          digital assets’) for any taxable year if—

1 “(i) at substantially all times during  
2 the calendar year which ends in or with the  
3 taxable year preceding such taxable year—

4 “(I) substantially all of the value  
5 of such type of digital asset is attrib-  
6 utable to widely traded digital assets  
7 (determined after the application of  
8 subparagraph (A)), and

9 “(II) such type of digital asset is  
10 redeemable on demand for a propor-  
11 tionate share of the assets to which  
12 the value of such digital asset is at-  
13 tributable, and

14 “(ii) the Secretary has determined  
15 that allowing such type of digital asset to  
16 be treated as a widely traded digital asset  
17 for purposes of this section is consistent  
18 with efficient tax administration and not  
19 subject to abuse.

20 “(C) PREVENTION OF DOUBLE COUNT-  
21 ING.—In the case of any designated type of  
22 qualified pool token assets with respect to any  
23 taxpayer, such taxpayer shall not recognize gain  
24 or loss with respect to the particular assets to

1           which the value of such designated type of  
2           qualified pool token assets is attributable.

3           “(c) GAIN OR LOSS TREATED AS SHORT-TERM.—Any  
4           gain or loss determined under subsection (a) shall be  
5           treated as short-term capital gain or short-term capital  
6           loss, respectively.

7           “(d) TREATMENT OF LENDING TRANSACTIONS.—

8           “(1) CERTAIN LENDING AGREEMENTS.—In the  
9           case of any transfer of widely traded digital assets  
10          to which section 1058(a) applies, such assets shall  
11          be treated for purposes of this section as continuing  
12          to be held by the transferor.

13          “(2) OTHER LENDING TRANSACTIONS.—In the  
14          case of any loan of widely traded digital assets which  
15          is not described in paragraph (1), except as other-  
16          wise provided by the Secretary, such assets shall be  
17          treated for purposes of this section as continuing to  
18          be held by the lender.

19          “(e) ELECTION.—

20          “(1) APPLICATION OF ELECTION.—

21                 “(A) IN GENERAL.—An election under this  
22                 section with respect to any designated type of  
23                 digital asset shall apply to the first taxable year  
24                 which begins after the date on which the tax-  
25                 payer makes such election and to each taxable

1 year thereafter unless revoked as provided in  
2 paragraph (5).

3 “(B) APPLICATION TO CURRENT TAXABLE  
4 YEAR.—If the taxpayer has not held any unit of  
5 a designated type of digital asset at any time  
6 during the 2-year period ending on the date on  
7 which the taxpayer makes the election described  
8 in subparagraph (A) with respect to such des-  
9 ignated type of digital asset, such taxpayer may  
10 elect to apply subparagraph (A) by substituting  
11 ‘the taxable year in which’ for ‘the first taxable  
12 year which begins after the date on which’.

13 “(2) PARTNERSHIPS AND S CORPORATIONS.—In  
14 the case of any partnership or S corporation, the  
15 election under this section shall be made at the part-  
16 nership or S corporation level.

17 “(3) EXCLUSION OF DEALERS ELIGIBLE TO  
18 MAKE MARK-TO-MARKET ELECTION.—A dealer that  
19 is eligible to make an election under section 475(g)  
20 with respect to any taxable year may not make an  
21 election under this section with respect to such tax-  
22 able year.

23 “(4) EXCLUSION OF TRADERS WITH A MARK-  
24 TO-MARKET ELECTION IN EFFECT.—A trader which  
25 has an election in effect under section 475(f)(3) with

1       respect to any taxable year may not make an elec-  
2       tion under this section with respect to such taxable  
3       year.

4           “(5) REVOCATION.—

5               “(A) IN GENERAL.—A taxpayer may re-  
6       voke an election under this section with respect  
7       to a taxable year which—

8               “(i) has not begun as of the date on  
9       which such taxpayer requests such revoca-  
10      tion, and

11              “(ii) is not one of the first 5 taxable  
12      years to which such election applies.

13           “(B) DEEMED REVOCATION.—In the case  
14      of any designated type of digital asset which  
15      has ceased to be a widely traded digital asset,  
16      the election under this section with respect to  
17      such designated type shall be treated as revoked  
18      with respect to the first taxable year beginning  
19      after the date on which such designated type  
20      ceases to be a widely traded digital asset.

21           “(C) 5-YEAR WAITING PERIOD.—In the  
22      case of any revocation under this paragraph  
23      with respect to any designated type of digital  
24      asset, the taxpayer may not make an election  
25      under this section with respect to such des-

1           ignated type if such election would apply to any  
2           of the first 5 taxable years to which such rev-  
3           ocation applies.

4           “(D) SPECIAL RULE FOR TRADERS MAK-  
5           ING MARK-TO-MARKET ELECTION.—If a tax-  
6           payer has in effect one or more elections under  
7           this section and such taxpayer makes the elec-  
8           tion under section 475(f)(3) with respect to any  
9           taxable year, the taxpayer shall (notwith-  
10          standing subparagraph (A)) be treated as re-  
11          voking all such elections under this section be-  
12          ginning with such taxable year.

13          “(f) SPECIAL RULES RELATED TO ELECTION, REV-  
14          OCATION, AND CERTAIN TRANSFERS.—

15          “(1) TREATMENT OF ASSETS UPON ELEC-  
16          TION.—In the case of an election under this section,  
17          with respect to any designated type of digital asset,  
18          any widely traded digital assets of such designated  
19          type held by the taxpayer shall be treated as sold for  
20          fair market value on the last day of the taxable year  
21          preceding the first taxable year to which such elec-  
22          tion applies.

23          “(2) ADJUSTMENTS UPON REVOCATION.—In  
24          the case of a revocation of an election under this  
25          section, proper adjustments shall be made in the

1 amount of any gain or loss subsequently realized for  
2 gain or loss taken into account under subsection (a).

3 “(3) CERTAIN TRANSFERS.—In the case of any  
4 transfer of a widely traded digital asset which is a  
5 designated type of digital asset with respect to the  
6 transferor for the taxable year in which the transfer  
7 occurs, if the basis of such asset in the hands of the  
8 transferee is determined by reference to the basis of  
9 such asset in the hands of the transferor, the basis  
10 of such asset in the hands of the transferor (solely  
11 for purposes of determining the basis of such asset  
12 in the hands of the transferee) shall be treated as  
13 being equal to the fair market value of such asset  
14 at the time of such transfer.

15 “(g) SPECIAL RULES RELATED TO PARTNER-  
16 SHIPS.—

17 “(1) SALE OR EXCHANGE OF INTEREST IN  
18 PARTNERSHIP.—The amount of any money, or the  
19 fair market value of any property, received by a  
20 transferor partner in exchange for all or a part of  
21 such partner’s interest in the partnership attrib-  
22 utable to a designated type of digital asset of the  
23 partnership shall be considered as an amount real-  
24 ized from the sale or exchange of a capital asset held  
25 for less than 1 year (under rules similar to the rules

1       that apply for purposes of section 751(a)), by treat-  
2       ing such designated type of digital asset in the same  
3       manner as an unrealized receivable.

4           “(2) CERTAIN DISTRIBUTIONS TREATED AS  
5       SALES OR EXCHANGES.—In the case of any des-  
6       ignated type of digital asset of a partnership, rules  
7       similar to the rules of section 751(b) shall apply by  
8       treating such designated type of digital asset in the  
9       same manner as an unrealized receivable and by  
10      treating any resulting gain or loss as short-term cap-  
11      ital gain or short-term capital loss.

12          “(3) ALLOCATIONS OF BASIS.—For purposes of  
13      any allocation of basis to a designated type of digital  
14      asset of a partnership, rules similar to the rules for  
15      allocating basis to unrealized receivables (including  
16      sections 755 and 732(c)) shall apply except that  
17      proper adjustments shall be made to treat the des-  
18      ignated type of digital asset as a capital asset held  
19      for less than 1 year.

20          “(4) CERTAIN CONTRIBUTIONS TO PARTNER-  
21      SHIP.—

22           “(A) IN GENERAL.—Except to the extent  
23      otherwise provided by the Secretary, in the case  
24      of a contribution of any widely traded digital  
25      asset to a partnership by a partner in a con-

1           tribution to which section 721 applies in a tax-  
2           able year of the partnership for which such  
3           widely traded digital asset is a designated type  
4           of digital asset with respect to such partner-  
5           ship, any gain or loss recognized by the part-  
6           nership under this section with respect to such  
7           designated type of widely traded digital asset  
8           shall be allocated to the contributing partner to  
9           the extent of the built-in gain or built-in loss  
10          (as the case may be) of the widely traded dig-  
11          ital asset so contributed.

12               “(B) BUILT-IN GAIN.—For purposes of  
13           this paragraph, the term ‘built-in gain’ means  
14           the excess (if any) of the fair market value of  
15           the property at the time of contribution over  
16           the adjusted basis of such property (in the  
17           hands of the partner) at such time.

18               “(C) BUILT-IN LOSS.—For purposes of  
19           this paragraph, the term ‘built-in loss’ means  
20           the excess (if any) of the adjusted basis of the  
21           property (in the hands of the partner) at the  
22           time of contribution over the fair market value  
23           of such property at such time.

24           “(h) COORDINATION WITH CERTAIN OTHER PROVI-  
25          SIONS.—

1           “(1) DETERMINED WITHOUT REGARD TO WASH  
2           AND CONSTRUCTIVE SALE RULES.—Sections 1091  
3           and 1259 shall not apply to any transaction with re-  
4           spect to which gain or loss is not recognized by rea-  
5           son of subsection (a)(3).

6           “(2) COORDINATION WITH RELATED PARTY  
7           TRANSACTION RULES.—Section 267 shall not apply  
8           with respect to a sale or exchange of property if the  
9           transferor has an election in effect under this section  
10          for the taxable year with respect to such property.

11          “(i) CLARIFICATION THAT CERTAIN TRANSFERS  
12          ARE TREATED AS DISPOSITIONS.—The following shall not  
13          fail to be treated as a disposition for purposes of this sec-  
14          tion:

15               “(1) The distribution of any digital asset from  
16               a trust to a beneficiary.

17               “(2) The transfer of any digital asset from a  
18               decedent (whether or not incident to the decedent’s  
19               death).

20          “(j) REGULATORY AUTHORITY.—The Secretary shall  
21          prescribe such regulations or other guidance as may be  
22          necessary or appropriate to carry out the purposes of this  
23          section, including regulations or guidance relating to—

24               “(1) the form and manner of making an elec-  
25               tion or revocation under this section,

1           “(2) adjustments necessary by reason of such  
2       election or revocation (including adjustments to  
3       basis of widely traded digital assets of a designated  
4       type),

5           “(3) adjustments to reporting requirements re-  
6       lating to widely traded digital assets with respect to  
7       which an election is in effect under this section,

8           “(4) the treatment of a derivative of a des-  
9       ignated type of digital asset, and

10          “(5) preventing abuse of this section.”.

11       (b) CLERICAL AMENDMENT.—The table of sections  
12 for part IV of subchapter O of chapter 1 of subtitle A  
13 is amended by inserting before the item relating to section  
14 1052 the following new item:

“Sec. 1051. Election to apply simplified accounting for gain and loss on widely  
traded digital assets.”.

15       (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 2027.

18 **SEC. 103. TREATMENT OF U.S. DOLLAR STABLECOIN TRANS-**  
19 **ACTIONS.**

20       (a) IN GENERAL.—Part IV of subchapter O of chap-  
21 ter 1 of subtitle A is amended by redesignating section  
22 1063 as section 1064 and by inserting after section 1062  
23 the following new section:

1 **“SEC. 1063. CERTAIN U.S. DOLLAR STABLECOIN TRANS-**  
2 **ACTIONS.**

3 “(a) TREATMENT OF ACQUISITIONS OF U.S. DOLLAR  
4 STABLECOINS.—

5 “(1) DETERMINATION OF BASIS.—The basis of  
6 any qualified U.S. dollar stablecoin acquired by a  
7 taxpayer in any sale or exchange shall be the re-  
8 demption value of such stablecoin. The preceding  
9 sentence shall not apply if it is unreasonable under  
10 the facts and circumstances to conclude that the  
11 value of the consideration provided for such  
12 stablecoin in such sale or exchange is not less than  
13 99.5 percent of such redemption value.

14 “(2) TREATMENT OF CONSIDERATION PRO-  
15 VIDED IN EXCHANGE.—For purposes of this title, in  
16 the case of any consideration other than money pro-  
17 vided in exchange for a qualified U.S. dollar  
18 stablecoin, the income, gain, or loss resulting from  
19 the provision of such consideration shall be deter-  
20 mined by treating the value of such qualified U.S.  
21 dollar stablecoin as being equal to the redemption  
22 value of such stablecoin. The preceding sentence  
23 shall not apply if it is unreasonable under the facts  
24 and circumstances to conclude that the value of such  
25 stablecoin is not less than 99.5 percent, and not  
26 more than 100.5 percent, of such redemption value.

1       “(b) TREATMENT OF SALE OR EXCHANGE OF QUALI-  
2 FIED U.S. DOLLAR STABLECOINS.—

3           “(1) DETERMINATION OF GAIN OR LOSS.—If  
4 the taxpayer’s basis in any qualified U.S. dollar  
5 stablecoin was determined under subsection (a)(1),  
6 gain or loss on such taxpayer’s sale or exchange of  
7 such stablecoin shall be determined as though such  
8 stablecoin were sold or exchanged for the redemption  
9 value of such stablecoin. The preceding sentence  
10 shall not apply if it is unreasonable under the facts  
11 and circumstances to conclude that the value of the  
12 consideration received for such stablecoin in such  
13 sale or exchange is not more than 100.5 percent of  
14 such redemption value.

15           “(2) TREATMENT OF CONSIDERATION RE-  
16 CEIVED IN EXCHANGE.—For purposes of this title,  
17 in the case of any consideration other than money  
18 received in exchange for a qualified U.S. dollar  
19 stablecoin, the cost of (and amount paid or incurred  
20 for) such consideration shall be determined by treat-  
21 ing the value of such qualified U.S. dollar stablecoin  
22 as being equal to the redemption value of such  
23 stablecoin. The preceding sentence shall not apply if  
24 it is unreasonable under the facts and circumstances  
25 to conclude that the value of such stablecoin is not

1 less than 99.5 percent, and not more than 100.5  
2 percent, of such redemption value.

3 “(c) EXCEPTIONS.—

4 “(1) IN GENERAL.—Subsections (a) and (b)  
5 shall not apply with respect to any taxpayer for any  
6 taxable year if such taxpayer is—

7 “(A) a trader, broker, or dealer in quali-  
8 fied U.S. dollar stablecoins,

9 “(B) to the extent provided by the Sec-  
10 retary, any person in a trade or business which  
11 is substantially similar to a trade or business  
12 described in subparagraph (A), or

13 “(C) any other person who in the pre-  
14 ceding taxable year engaged in more than 5,000  
15 transactions to which subsection (a) or (b) ap-  
16 plied, determined without regard to—

17 “(i) any such transaction which is  
18 with respect to a trade or business (other  
19 than a trade or business described in sub-  
20 paragraph (A) or (B)), including the ac-  
21 ceptance of qualified U.S. dollar  
22 stablecoins at redemption value as a pay-  
23 ment for goods or services in such trade or  
24 business and the use of qualified U.S. dol-  
25 lar stablecoins at redemption value to ac-

1           quire goods and services for use in such  
2           trade or business, and

3           “(ii) any such transaction which is a  
4           sale (for money) of a qualified U.S. dollar  
5           stablecoin at or below redemption value.

6           “(2) FUNCTIONAL CURRENCY OTHER THAN  
7           THE DOLLAR.—Subsections (a) and (b) shall not  
8           apply to any taxpayer or qualified business unit (as  
9           defined in section 989(a)) that uses a functional cur-  
10          rency other than the dollar.

11          “(3) RELATED PARTIES.—In the case of any  
12          sale or exchange between persons described in sec-  
13          tion 267(b) (applied without regard to section  
14          267(c)(3)) or section 707(b)(1)—

15               “(A) subsections (a)(1), (a)(2), and (b)(2)  
16               shall be applied by substituting ‘100 percent’  
17               for ‘99.5 percent’, and

18               “(B) subsections (a)(2), (b)(1), and (b)(2)  
19               shall be applied by substituting ‘100 percent’  
20               for ‘100.5 percent’.

21          “(d) REDEMPTION VALUE.—For purposes of this  
22          section, the term ‘redemption value’ means, with respect  
23          to a qualified U.S. dollar stablecoin, the dollar amount for  
24          which the issuer is obligated to convert, redeem, or repur-  
25          chase such stablecoin.

1       “(e) REGULATIONS.—The Secretary shall issue such  
2 regulations or other guidance as may be necessary or ap-  
3 propriate to carry out the purposes of this section, includ-  
4 ing regulations or other guidance—

5           “(1) describing the factors considered, and doc-  
6 umentation or substantiation required, with respect  
7 to the facts and circumstances tests described in  
8 subsections (a)(1), (a)(2), (b)(1), and (b)(2),

9           “(2) providing for the application of subsection  
10 (c)(1) with respect to a portion of a taxable year if  
11 the taxpayer only regularly purchases, exchanges, or  
12 sells qualified U.S. dollar stablecoins for profit for a  
13 portion of such taxable year, and

14           “(3) to prevent abuse of this section.”.

15       (b) CLERICAL AMENDMENT.—The table of sections  
16 for part IV of subchapter O of chapter 1 of subtitle A  
17 is amended by redesignating the item relating to section  
18 1063 as an item relating to section 1064 and by inserting  
19 after the item relating to section 1062 the following new  
20 item:

“Sec. 1063. Certain U.S. dollar stablecoin transactions.”.

21       (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to taxable years beginning after  
23 December 31, 2026.

24       (d) TRANSITION RULES.—The Secretary of the  
25 Treasury, or the Secretary’s delegate, shall, consistent

1 with the purposes of section 1063 of the Internal Revenue  
2 Code of 1986, provide temporary rules for taxpayers ad-  
3 dressing periods prior to the issuance of final regulations  
4 or guidance under section 1063(e) of such Code.

5 **TITLE II—PROVIDING PARITY**  
6 **BETWEEN DIGITAL ASSETS**  
7 **AND COMPARABLE TRADI-**  
8 **TIONAL FINANCIAL ASSETS**

9 **SEC. 201. TRANSFERS OF TRADED DIGITAL ASSETS PURSU-**  
10 **ANT TO A LENDING AGREEMENT.**

11 (a) IN GENERAL.—Subsections (a) and (b) of section  
12 1058 are each amended by striking “securities” each place  
13 it appears and inserting “specified assets”.

14 (b) SPECIFIED ASSETS.—Section 1058 is amended  
15 by adding at the end the following new subsection:

16 “(d) SPECIFIED ASSETS.—For purposes of this sec-  
17 tion, the term ‘specified assets’ means—

18 “(1) securities (as defined in section 1236(c)),

19 and

20 “(2) traded digital assets.”.

21 (c) TREATMENT OF CERTAIN LEGAL ENTITLEMENTS  
22 AND OBLIGATIONS WHICH ACCRUE DURING PERIOD OF  
23 AGREEMENT.—Section 1058(b)(2), as amended by sub-  
24 section (a), is amended—

1 (1) by striking “require that payments” and in-  
2 serting “require that—

3 “(A) payments”,

4 (2) by inserting “and” after “transferor;”, and

5 (3) by adding at the end the following new sub-  
6 paragraph:

7 “(B) in the case of any transfer of traded  
8 digital assets—

9 “(i) payments shall be made to the  
10 transferor of amounts equivalent to, except  
11 as otherwise provided by the Secretary, all  
12 property and other legal entitlements  
13 which the owner of the traded digital as-  
14 sets is entitled to receive during the period  
15 described in subparagraph (A), and

16 “(ii) the transferor shall assume all  
17 obligations imposed on the owner of such  
18 traded digital assets during the period de-  
19 scribed in subparagraph (A);”.

20 (d) CONFORMING AMENDMENTS.—

21 (1) Section 1058(a) is amended by striking “(as  
22 defined in section 1236(c))”.

23 (2) The heading of section 1058, and the item  
24 relating to section 1058 in the table of sections for  
25 part IV of subchapter O of chapter 1, are each

1       amended by striking “securities” and inserting  
2       “specified assets”.

3       (e) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to transfers made after the date  
5 of the enactment of this Act.

6       **SEC. 202. DEALERS AND TRADERS OF WIDELY TRADED DIG-**  
7                                   **ITAL ASSETS.**

8       (a) IN GENERAL.—Section 475 is amended by redes-  
9 ignating subsection (g) as subsection (h) and by inserting  
10 after subsection (f) the following new subsection:

11       “(g) ELECTION OF MARK TO MARKET FOR DEALERS  
12 IN COVERED DIGITAL ASSETS.—

13               “(1) IN GENERAL.—In the case of a dealer in  
14 covered digital assets who elects the application of  
15 this subsection, this section shall apply to covered  
16 digital assets held by such dealer in the same man-  
17 ner as this section applies to securities held by a  
18 dealer in securities.

19               “(2) COVERED DIGITAL ASSET.—For purposes  
20 of this section, the term ‘covered digital asset’  
21 means—

22                       “(A) any specified traded digital asset,

23                       “(B) any notional principal contract with  
24 respect to any specified traded digital asset,

1           “(C) any evidence of an interest in, or a  
2           derivative instrument in, any digital asset de-  
3           scribed in subparagraph (A) or (B), including  
4           any option, forward contract, futures contract,  
5           short position, and any similar instrument in  
6           such a digital asset, and

7           “(D) any position which—

8               “(i) is not a covered digital asset de-  
9               scribed in subparagraph (A), (B), or (C),

10               “(ii) is a hedge with respect to such  
11               a covered digital asset, and

12               “(iii) is clearly identified in the tax-  
13               payer’s records as being described in this  
14               subparagraph before the close of the day  
15               on which it was acquired or entered into  
16               (or such other time as the Secretary may  
17               by regulations prescribe).

18           “(3) SPECIFIED TRADED DIGITAL ASSET.—For  
19           purposes of paragraph (2)—

20               “(A) IN GENERAL.—The term ‘specified  
21               traded digital asset’ means—

22               “(i) any widely traded digital asset,

23               “(ii) any qualified U.S. dollar  
24               stablecoin,

1 “(iii) any qualified pool token asset  
2 (as defined in section 1051(b)(3)(B)),

3 “(iv) any traded digital asset which—

4 “(I) would be a widely traded  
5 digital asset but for the requirement  
6 of clause (ii) of section 7701(p)(3)(A),  
7 and

8 “(II) has an average daily trad-  
9 ing volume, determined on the basis  
10 of business days during the calendar  
11 year that ends in or with the pre-  
12 ceding taxable year, that exceeds  
13 \$5,000,000, or

14 “(v) any traded digital asset which—

15 “(I) would be a widely traded  
16 digital asset but for the requirement  
17 of clause (iii) of section  
18 7701(p)(3)(A), and

19 “(II) constitutes the principal  
20 asset held by an entity that is not reg-  
21 istered under the Investment Com-  
22 pany Act of 1940 and the securities of  
23 which are listed and traded on a na-  
24 tional securities exchange registered

1 under section 6 of the Securities and  
2 Exchange Act of 1934.

3 “(B) LIMITED CONTINUED TREATMENT.—

4 In the case of any taxpayer for any taxable  
5 year, the term ‘specified traded digital asset’  
6 also includes any traded digital asset that would  
7 be a widely traded digital asset but for the re-  
8 quirement of clause (ii) of section  
9 7701(p)(3)(A) if, with respect to one or more of  
10 the 3 preceding taxable years—

11 “(i) such traded digital asset was a  
12 specified traded digital asset described in  
13 clause (i) or (ii) of subparagraph (A) with  
14 respect to such taxable year,

15 “(ii) the taxpayer had an election in  
16 effect under this subsection that applied to  
17 such taxable year and each intervening  
18 taxable year, and

19 “(iii) the taxpayer held specified trad-  
20 ed digital assets of such type (determined  
21 under rules similar to the rules of section  
22 1051(b)(2)), or covered digital assets de-  
23 scribed in subparagraph (B), (C), or (D)  
24 of paragraph (2) with respect to such type  
25 of specified traded digital asset, to which

1 paragraph (1) applied for such taxable  
2 year.

3 “(4) ELECTION.—An election under this sub-  
4 section may be made without the consent of the Sec-  
5 retary. Such an election, once made, shall apply to  
6 the taxable year for which made and all subsequent  
7 taxable years unless revoked with the consent of the  
8 Secretary.”.

9 (b) APPLICATION OF MARK TO MARKET RULES TO  
10 COVERED DIGITAL ASSETS.—Section 475(f) is amend-  
11 ed—

12 (1) in the heading, by striking “OR COMMOD-  
13 ITIES” and inserting “, COMMODITIES, OR COVERED  
14 DIGITAL ASSETS”,

15 (2) by redesignating paragraph (3) as para-  
16 graph (4) and by inserting after paragraph (2) the  
17 following new paragraph:

18 “(3) TRADERS IN COVERED DIGITAL ASSETS.—  
19 In the case of a person who is engaged in a trade  
20 or business as a trader in covered digital assets and  
21 who elects to have this paragraph apply to such  
22 trade or business, paragraph (1) shall apply to cov-  
23 ered digital assets held by such trader in connection  
24 with such trade or business in the same manner as

1 paragraph (1) applies to securities held by a trader  
2 in securities.”, and

3 (3) in paragraph (4), as so redesignated, by  
4 striking “paragraphs (1) and (2)” and inserting  
5 “paragraphs (1), (2), and (3)”.

6 (c) TREATMENT OF COVERED DIGITAL ASSETS  
7 WHICH ARE SECURITIES OR COMMODITIES.—Section  
8 475(d) is amended by adding at the end the following new  
9 paragraph:

10 “(4) TREATMENT OF COVERED DIGITAL ASSETS  
11 WHICH ARE SECURITIES OR COMMODITIES.—In the  
12 case of any covered digital asset which is a security  
13 or commodity (determined without regard to this  
14 paragraph), such covered digital asset shall not be  
15 treated as a security or commodity for purposes of  
16 subsections (b) through (g).”.

17 (d) TREATMENT OF ADJUSTMENTS ATTRIBUTABLE  
18 TO ELECTION OF MARK TO MARKET.—Section 475(d), as  
19 amended by subsection (c), is amended by adding at the  
20 end the following new paragraph:

21 “(5) ADJUSTMENTS ATTRIBUTABLE TO MARK  
22 TO MARKET TREATMENT OF SECURITIES, COMMOD-  
23 ITIES, OR COVERED DIGITAL ASSETS.—In the case of  
24 an adjustment described in section 481(a) by reason  
25 of the taxpayer’s change to, or from, a method of ac-

1 counting provided in subsection (a), (e), (f), or (g)  
2 of this section, the character of any income or loss  
3 with respect to any property as a result of such ad-  
4 justment shall be the same as the character of the  
5 gain or loss which would have resulted from the sale  
6 of such property as of the close of the taxable year  
7 preceding the year of the change (within the mean-  
8 ing of section 481) under the method of accounting  
9 used for such preceding taxable year.”.

10 (e) TREATMENT AS SPECIFIED SERVICE TRADE OR  
11 BUSINESS.—Section 199A(d)(2)(B) is amended by strik-  
12 ing “or commodities (as defined in section 475(e)(2))”  
13 and inserting “commodities (as defined in section  
14 475(e)(2)), traded digital assets, or covered digital assets  
15 (as defined in section 475(g)(2))”.

16 (f) CONFORMING AMENDMENTS.—

17 (1) Section 475(e)(2) is amended by striking  
18 “this subsection and subsection (f)” and inserting  
19 “this section”.

20 (2) The heading of section 475 is amended by  
21 striking “**DEALERS IN SECURITIES**” and inserting  
22 “**CERTAIN DEALERS AND TRADERS**”.

23 (3) The table of sections for subpart D of part  
24 II of subchapter E of chapter 1 is amended by strik-

1       ing the item relating to section 475 and inserting  
2       the following:

“Sec. 475. Mark to market accounting method for certain dealers and traders.”.

3       (g) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 the date of the enactment of this Act.

6       (h) **4-YEAR SPREAD OF ADJUSTMENTS.**—In the case  
7 of a taxpayer that elects under subsection (f)(3) or (g)  
8 of section 475 of the Internal Revenue Code of 1986 (as  
9 added by this section) to change such taxpayer’s method  
10 of accounting for the taxpayer’s first taxable year begin-  
11 ning after the date of the enactment of this Act and before  
12 January 1, 2028—

13           (1) any identification required with respect to  
14 such subsection with respect to covered digital assets  
15 held on the first day of such taxable year shall be  
16 treated as timely made if made on or before the  
17 30th day of such taxable year, and

18           (2) the net amount of the adjustments required  
19 to be taken into account by the taxpayer under sec-  
20 tion 481 of such Code by reason of such subsection  
21 shall be taken into account ratably over the 4-tax-  
22 able year period beginning with such taxable year.

23       (i) **TRANSITIONAL COORDINATION WITH WASH SALE**  
24 **RULES.**—

1           (1) IN GENERAL.—In the case of a taxpayer  
2           that elects under subsection (f)(3) or (g) of section  
3           475 of the Internal Revenue Code of 1986 (as added  
4           by this section) for the taxpayer’s first taxable year  
5           beginning after the date of the enactment of this Act  
6           and before January 1, 2028, section 1091 shall be  
7           applied without regard to any specified transaction  
8           made by the taxpayer during the preceding taxable  
9           year if the taxpayer does not, during such first tax-  
10          able year, identify under section 475(b)(2) of such  
11          Code any built-in-gain security as being described in  
12          subparagraph (A) of section 475(b)(1) of such Code.

13          (2) SPECIFIED TRANSACTION.—For purposes of  
14          this subsection, the term “specified transaction”  
15          means any acquisition or disposition of a covered  
16          digital asset (as defined in section 475(g) of such  
17          Code) made in the ordinary course of the taxpayer’s  
18          activity as a dealer or trader, as the case may be.

19          (3) BUILT-IN-GAIN SECURITY.—For purposes of  
20          this subsection, the term “built-in-gain security”  
21          means any security if (as of the time of the identi-  
22          fication referred to in paragraph (1)) the fair mar-  
23          ket value of such security exceeds the adjusted basis  
24          of such security.

1 (j) AUTHORITY TO PROVIDE ADDITIONAL TRANSI-  
2 TION RULES.—The Secretary of the Treasury, or the Sec-  
3 retary’s delegate, may issue such regulations or other  
4 guidance as may be necessary or appropriate to provide  
5 additional transitional rules with respect to taxpayers that  
6 make the election under subsection (f)(3) or (g) of section  
7 475 of the Internal Revenue Code of 1986 (as added by  
8 this section) for the taxpayer’s first taxable year beginning  
9 after the date of the enactment of this Act and before Jan-  
10 uary 1, 2028, including regulations or other guidance to  
11 provide for simplified adjustments in the case of such an  
12 election which will apply to digital assets to which an elec-  
13 tion under section 475(e) of such Code applied for the pre-  
14 ceding taxable year.

15 **SEC. 203. DIGITAL ASSET TRADING SAFE HARBOR.**

16 (a) IN GENERAL.—Section 864(b)(2) is amended—

17 (1) in the heading, by striking “OR COMMOD-  
18 ITIES” and inserting “COMMODITIES, OR TRADED  
19 DIGITAL ASSETS”,

20 (2) by redesignating subparagraph (C) as sub-  
21 paragraph (D) and by inserting the following new  
22 subparagraph after subparagraph (B):

23 “(C) TRADED DIGITAL ASSETS.—

24 “(i) IN GENERAL.—Trading in traded  
25 digital assets through a resident broker,

1 commission agent, custodian, staking serv-  
2 ice provider, or other independent agent.

3 “(ii) TRADING FOR TAXPAYER’S OWN  
4 ACCOUNT.—Trading in traded digital as-  
5 sets for the taxpayer’s own account, wheth-  
6 er by the taxpayer or his employees or  
7 through a resident broker, commission  
8 agent, custodian, staking service provider,  
9 or other agent, and whether or not any  
10 such employee or agent has discretionary  
11 authority to make decisions in effecting the  
12 transactions. This clause shall not apply in  
13 the case of a dealer in digital assets.

14 “(iii) COORDINATION WITH RULES  
15 FOR SECURITIES AND COMMODITIES.—A  
16 traded digital asset shall not be treated as  
17 a security or commodity for purposes of  
18 this paragraph.”, and

19 (3) in subparagraph (D), as so redesignated—

20 (A) by striking “and (B)(i)” and inserting  
21 “, (B)(i), and (C)(i)”, and

22 (B) by striking “or in commodities” and  
23 inserting “in commodities, or in traded digital  
24 assets”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2025.

4 **SEC. 204. CHARITABLE CONTRIBUTIONS OF CERTAIN DIG-**  
5 **ITAL ASSETS.**

6 (a) EXCEPTION FROM APPRAISAL REQUIREMENT  
7 FOR QUALIFIED U.S. DOLLAR STABLECOINS AND WIDE-  
8 LY TRADED DIGITAL ASSETS.—Section  
9 170(f)(11)(A)(ii)(I) is amended by inserting “qualified  
10 U.S. dollar stablecoins, widely traded digital assets (except  
11 as the Secretary determines appropriate to prevent abuse  
12 of this section),” after “publicly traded securities (as de-  
13 fined in section 6050L(a)(2)(B)),”.

14 (b) CHARITABLE CONTRIBUTIONS OF DIGITAL AS-  
15 SETS OTHER THAN QUALIFIED U.S. DOLLAR  
16 STABLECOINS, WIDELY TRADED DIGITAL ASSETS, AND  
17 TOKENIZED DIGITAL ASSETS.—

18 (1) IN GENERAL.—Section 170(f) is amended  
19 by adding at the end the following new paragraph:

20 “(20) CONTRIBUTIONS OF CONVERSION ELIGI-  
21 BLE DIGITAL ASSETS.—

22 “(A) IN GENERAL.—No deduction shall be  
23 allowed under subsection (a) for any contribu-  
24 tion of a conversion eligible digital asset (as de-  
25 fined in section 1046(d)).

1           “(B) CROSS REFERENCE.—For non-  
2           recognition of gain on certain sales and ex-  
3           changes of conversion eligible digital assets the  
4           proceeds of which are used to make charitable  
5           contributions, see section 1046.”.

6           (2) NONRECOGNITION OF GAIN ON DISPOSI-  
7           TIONS OF CONVERSION ELIGIBLE DIGITAL ASSETS  
8           USED TO FUND CHARITABLE CONTRIBUTIONS.—Part  
9           III of subchapter O of chapter 1 is amended by add-  
10          ing at the end the following new section:

11       **“SEC. 1046. CERTAIN DISPOSITIONS OF CONVERSION ELIGI-**  
12                       **BLE DIGITAL ASSETS USED TO FUND CHARI-**  
13                       **TABLE CONTRIBUTIONS.**

14       “(a) IN GENERAL.—No gain shall be recognized on  
15       the sale of conversion eligible digital assets (or the ex-  
16       change of conversion eligible digital assets for qualified  
17       U.S. dollar stablecoins) if all of the gross receipts of such  
18       sale (or all of the qualified U.S. dollar stablecoins received  
19       in such exchange) are contributed by the taxpayer as a  
20       charitable contribution (as defined in section 170(c)) not  
21       later than the earlier of—

22               “(1) the date that is 7 days after the date of  
23               such sale or exchange, or

24               “(2) the close of the taxpayer’s taxable year  
25               which includes the date of such sale or exchange.

1       “(b) CONTRIBUTIONS OF LESS THAN ENTIRE PRO-  
2 CEEDS.—Except as otherwise provided by the Secretary,  
3 if less than all of the gross receipts of a sale described  
4 in subsection (a) (or less than all the qualified U.S. dollar  
5 stablecoins received in an exchange so described) are con-  
6 tributed as described in subsection (a), so much of the  
7 gain on such sale (or exchange) as bears the same ratio  
8 to such entire gain as the amount so contributed bears  
9 to all of such gross receipts (or all such U.S. dollar  
10 stablecoins) shall not be recognized.

11       “(c) APPLICATION OF CERTAIN LIMITATIONS ON DE-  
12 Duction FOR CHARITABLE CONTRIBUTIONS.—In the  
13 case of any charitable contribution described in subsection  
14 (a) or (b)—

15               “(1) IN GENERAL.—For purposes of sub-  
16 sections (b)(1)(G), (b)(1)(I), and (p) of section 170,  
17 such contribution shall not be treated as a contribu-  
18 tion of cash.

19               “(2) CAPITAL GAIN PROPERTY.—For purposes  
20 of subsections (b)(1)(C), (b)(1)(D), (b)(1)(I), and  
21 (e) of section 170, such contribution shall be treated  
22 as a contribution made directly by the taxpayer on  
23 the date of the sale or exchange referred to in sub-  
24 section (a) or (b) (as the case may be) of—

1 “(A) in the case of a sale or exchange re-  
2 ferred to in subsection (a), the conversion eligi-  
3 ble digital assets so sold or exchanged, and

4 “(B) in the case of a sale or exchange re-  
5 ferred to in subsection (b), the portion of the  
6 conversion eligible digital assets so sold or ex-  
7 changed that bears the same ratio to such as-  
8 sets as the gain not recognized under subsection  
9 (b) bears to the entire gain referred to in such  
10 subsection.

11 “(d) CONVERSION ELIGIBLE DIGITAL ASSETS.—For  
12 purposes of this section, the term ‘conversion eligible dig-  
13 ital asset’ means any digital asset other than—

14 “(1) a qualified U.S. dollar stablecoin,

15 “(2) a widely traded digital asset to which sec-  
16 tion 170(f)(11)(A)(ii)(I) applies, and

17 “(3) a tokenized digital asset.

18 “(e) RELATED PARTY TRANSACTIONS.—This section  
19 shall not apply to any sale or exchange between persons  
20 described in section 267(b) (applied without regard to sec-  
21 tion 267(c)(3)) or section 707(b)(1).”.

22 (3) CLERICAL AMENDMENT.—The table of sec-  
23 tions for part III of subchapter O of chapter 1 is  
24 amended by adding at the end the following new  
25 item:

“Sec. 1046. Certain dispositions of conversion eligible digital assets used to fund charitable contributions.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2026.

4 **TITLE III—APPLYING EXISTING**  
5 **TAX ANTI-ABUSE RULES TO**  
6 **DIGITAL ASSETS**

7 **SEC. 301. APPLICATION OF WASH SALE RULES TO TRADED**  
8 **DIGITAL ASSETS.**

9 (a) IN GENERAL.—Section 1091 is amended—

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

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

14 (b) SPECIFIED ASSET.—Section 1091 is amended by  
15 adding at the end the following new subsection:

16 “(g) SPECIFIED ASSET.—For purposes of this sec-  
17 tion—

18 “(1) IN GENERAL.—The term ‘specified asset’  
19 means—

20 “(A) any stock or security, and

21 “(B) any traded digital asset other than a  
22 qualified U.S. dollar stablecoin.

23 “(2) CONTRACTS AND OPTIONS.—Except as  
24 otherwise provided in regulations, the term ‘specified

1       asset’ includes any contract or option to acquire or  
2       sell any specified asset described in paragraph (1).

3           “(3) TREATMENT OF TOKENIZED DIGITAL AS-  
4       SETS AS SUBSTANTIALLY IDENTICAL TO AN ECO-  
5       NOMICALLY EQUIVALENT STOCK OR SECURITY.—A  
6       tokenized digital asset (and a wrapped digital asset  
7       with respect to which the reference digital asset is  
8       a traded digital asset) shall be treated as substan-  
9       tially identical to any stock, security, or traded dig-  
10      ital asset if such tokenized digital asset (or such  
11      wrapped digital asset) is economically equivalent to  
12      such stock, security, or traded digital asset.

13           “(4) FUNCTIONAL CURRENCY OTHER THAN  
14      THE DOLLAR.—In the case of any taxpayer or quali-  
15      fied business unit (as defined in section 989(a)), a  
16      qualified U.S. dollar stablecoin shall not be treated  
17      as a qualified U.S. dollar stablecoin for purposes of  
18      paragraph (1)(B) if such taxpayer or qualified busi-  
19      ness unit uses a functional currency other than the  
20      dollar.”.

21           “(c) EXCEPTION FOR CERTAIN ACQUISITIONS OF DIG-  
22      ITAL ASSETS.—Section 1091, as amended by subsection  
23      (b), is amended by adding at the end the following new  
24      subsection:

1       “(h) EXCEPTION FOR CERTAIN ACQUISITIONS OF  
2       TRADED DIGITAL ASSETS.—The acquisition of a traded  
3       digital asset shall not be taken into account under this  
4       section if such traded digital asset is acquired—

5               “(1) in connection with the validation of digital  
6       asset transactions (including digital asset validation  
7       supporting activities), or

8               “(2) in a transaction which is part of a regular  
9       or periodic series of acquisitions of traded digital as-  
10      sets which are included by the taxpayer as ordinary  
11      income.”.

12      (d) CONFORMING AMENDMENTS.—

13              (1) Section 1091(a) is amended by striking the  
14      last sentence.

15              (2) Section 1091(e) (as amended by subsection  
16      (a)) is amended to read as follows:

17      “(e) CERTAIN SHORT SALES OF SPECIFIED ASSETS  
18      AND SPECIFIED ASSET FUTURES CONTRACTS TO SELL.—  
19      Rules similar to the rules of subsection (a) shall apply to  
20      any loss realized on the closing of a short sale of (or the  
21      sale, exchange, or termination of a specified asset futures  
22      contract to sell) specified assets if, within a period begin-  
23      ning 30 days before the date of such closing and ending  
24      30 days after such date—

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

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

6       For purposes of this subsection, the term “specified asset  
7       futures contract” has the meaning provided by section  
8       1234B(c).”.

9           (3) The heading of section 1091 is amended by  
10       striking “**STOCK OR SECURITIES**” and inserting  
11       “**SPECIFIED ASSETS**”.

12           (4) The headings of subsections (b), (c), and  
13       (d) of section 1091 are each amended by striking  
14       “STOCK” each place it appears and inserting “SPEC-  
15       IFIED ASSETS”.

16           (5) The item relating to section 1091 in the  
17       table of sections for part VII of subchapter O of  
18       chapter 1 is amended by striking “stock or securi-  
19       ties” and inserting “specified assets”.

20           (6) Section 312(f)(1) is amended by striking  
21       “stock or securities” and inserting “specified as-  
22       sets”.

23           (7) Section 1256(f)(5) is amended by striking  
24       “stock or securities” and inserting “specified as-  
25       sets”.

1 (8) Section 6045(g)(2)(B)(ii) is amended—

2 (A) by striking “stock or securities” and  
3 inserting “specified assets”, and

4 (B) by striking “identical securities” and  
5 inserting “identical specified assets”.

6 (e) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to dispositions after the date of  
8 the introduction of this Act.

9 (f) TRANSITION RULE RELATING TO BROKER RE-  
10 PORTING.—For purposes of section 6045 of the Internal  
11 Revenue Code of 1986, in the case of the sale or other  
12 disposition before January 1, 2028, of a traded digital  
13 asset to which section 1091 would not have applied but  
14 for the amendments made by this section, the customer’s  
15 adjusted basis may be determined without regard to sec-  
16 tion 1091 of such Code.

17 **SEC. 302. APPLICATION OF CONSTRUCTIVE SALE RULES TO**  
18 **DIGITAL ASSETS.**

19 (a) IN GENERAL.—Section 1259(b)(1) is amended by  
20 inserting “, digital asset (other than a qualified U.S. dol-  
21 lar stablecoin)” after “debt instrument”.

22 (b) APPLICATION OF EXCEPTION FOR SALES OF  
23 NONPUBLICLY TRADED PROPERTY.—Section 1259(c)(2)  
24 is amended by inserting “or widely traded digital asset”  
25 after “marketable security (as defined in section 453(f))”.

1       (c) TREATMENT OF TOKENIZED DIGITAL ASSETS AS  
2 SUBSTANTIALLY IDENTICAL TO ECONOMICALLY EQUIVA-  
3 LENT FINANCIAL PROPERTY.—Section 1259(c) is amend-  
4 ed by adding at the end the following new paragraph:

5           “(5) TREATMENT OF TOKENIZED DIGITAL AS-  
6 SETS AS SUBSTANTIALLY IDENTICAL TO ECONOMI-  
7 CALLY EQUIVALENT FINANCIAL PROPERTY.—A  
8 tokenized digital asset shall be treated as substan-  
9 tially identical to any stock, debt instrument, or  
10 partnership interest if such tokenized digital asset is  
11 economically equivalent to such stock, debt instru-  
12 ment, or partnership interest.”.

13       (d) FUNCTIONAL CURRENCY OTHER THAN THE  
14 DOLLAR.—Section 1259(e) is amended by adding at the  
15 end the following new paragraph:

16           “(4) QUALIFIED U.S. DOLLAR STABLECOINS  
17 AND FUNCTIONAL CURRENCY OTHER THAN THE  
18 DOLLAR.—In the case of any taxpayer or qualified  
19 business unit (as defined in section 989(a)), a quali-  
20 fied U.S. dollar stablecoin (determined without re-  
21 gard to this paragraph) shall not be treated as a  
22 qualified U.S. dollar stablecoin for purposes of this  
23 section if such taxpayer or qualified business unit  
24 uses a functional currency other than the dollar.”.

1 (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to constructive sales after the date  
3 of the introduction of this Act.

4 **SEC. 303. APPLICATION OF SUBPART F AND PFIC RULES.**

5 (a) IN GENERAL.—Section 954(c)(1)(B) is amend-  
6 ed—

7 (1) by striking “or” at the end of clause (ii),

8 (2) by redesignating clause (iii) as clause (iv),

9 and

10 (3) by inserting after clause (ii) the following

11 new clause:

12 “(iii) which is a digital asset, or”.

13 (b) CERTAIN PASSIVE DIGITAL ASSET VALIDATION

14 SUPPORTING INCOME.—Section 954(c)(1) is amended by

15 adding at the end the following new subparagraphs:

16 “(I) CERTAIN PASSIVE DIGITAL ASSET

17 VALIDATION SUPPORTING INCOME.—Income de-

18 rived from staking, mining, or similar activities

19 in support of the validation of digital asset

20 transactions, unless—

21 “(i) such income is derived in the ac-

22 tive conduct of a trade or business of vali-

23 dating such transactions,

1 “(ii) substantially all of the controlled  
2 foreign corporation’s digital assets are re-  
3 lated to such trade or business, and

4 “(iii) substantially all of the activities  
5 of such trade or business occur in the same  
6 country as the country in which such cor-  
7 poration is created or organized (or in the  
8 case of a qualified business unit described  
9 in section 989(a), is attributable to activi-  
10 ties of the unit in the country in which the  
11 unit both maintains its principal office and  
12 conducts substantial business activity).

13 “(J) CERTAIN PAYMENTS PURSUANT TO  
14 DIGITAL ASSET LENDING AGREEMENTS.—In the  
15 case of an agreement described in section  
16 1058(a) pursuant to which traded digital assets  
17 are transferred, any payment made pursuant to  
18 such agreement other than any payment de-  
19 scribed in section 1058(b)(1).”.

20 (c) EXCEPTION FOR DEALERS.—Section  
21 954(c)(2)(C) is amended—

22 (1) in clause (i)—

23 (A) by striking “or (G)” and inserting  
24 “(G), or (I)”, and

25 (B) by striking “and” at the end,

1           (2) by striking the period at the end of clause  
2           (ii) and inserting “, and”, and

3           (3) by adding at the end the following new  
4           clause:

5                       “(iii) if such dealer is a dealer in cov-  
6                       ered digital assets (within the meaning of  
7                       section 475), any interest or dividend (or  
8                       equivalent amount described in subpara-  
9                       graph (E) or (G) of paragraph (1)) or in-  
10                      come described in paragraph (1)(I), from  
11                      any transaction (including any hedging  
12                      transaction) entered into in the ordinary  
13                      course of such dealer’s trade or business as  
14                      such a dealer in covered digital assets, but  
15                      only if the income from the transaction is  
16                      attributable to activities of the dealer in  
17                      the country under the laws of which the  
18                      dealer is created or organized (or in the  
19                      case of a qualified business unit described  
20                      in section 989(a), is attributable to activi-  
21                      ties of the unit in the country in which the  
22                      unit both maintains its principal office and  
23                      conducts substantial business activity).”.

24           (d) REGULATIONS.—The Secretary of the Treasury  
25           shall, not later than 12 months after the date of the enact-

1 ment of this Act, issue such regulations or other guidance  
2 (under the authority granted to such Secretary under sec-  
3 tion 7805 of the Internal Revenue Code of 1986) to clarify  
4 the appropriate tax treatment of certain foreign entities  
5 (and United States persons related to such entities or in-  
6 volved in the governance of such entities) established in  
7 connection with organizations commonly referred to as de-  
8 centralized autonomous organizations, which are estab-  
9 lished in a foreign country as a foundation under foreign  
10 law (or other similar structure with a purported purpose  
11 other than profit), including—

12 (1) clarifying the methods by which such for-  
13 eign entities may reorganize as domestic corpora-  
14 tions under subchapter C of chapter 1 of such Code,  
15 and

16 (2) providing, in appropriate circumstances,  
17 temporary safe harbors to encourage such foreign  
18 entities (which were organized before the date of the  
19 introduction of this Act) to complete such reorga-  
20 nizations promptly after the enactment of this Act.

21 (e) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to taxable years of foreign corpora-  
23 tions ending after the date of the enactment of this Act.

1   **SEC. 304. RULES RELATED TO POSSESSIONS FOR DETER-**  
2                   **MINING SOURCE OF GAIN OR LOSS ON DIS-**  
3                   **POSITION OF TRADED DIGITAL ASSETS.**

4           (a) **REPORTING REQUIREMENT.**—Section 937(c) is  
5 amended by adding at the end the following new para-  
6 graph:

7                   “(3) **SPECIAL RULES FOR TRADED DIGITAL AS-**  
8           **SETS.**—

9                   “(A) **IN GENERAL.**—If an individual re-  
10           quired to file a specified notice under paragraph  
11           (1) is a specified possession resident individual  
12           (as defined in subsection (d)(3)) for the taxable  
13           year to which such notice relates, such notice  
14           shall include the fair market value and basis of  
15           each traded digital asset property held by the  
16           taxpayer as of the close of the preceding taxable  
17           year.

18                   “(B) **DE MINIMIS EXCEPTION.**—Subpara-  
19           graphs (A) and (E) shall not apply if the aggre-  
20           gate fair market value of traded digital asset  
21           property which would (but for this subpara-  
22           graph) be required to be included in a notice  
23           under such subparagraph (A) or (E), as the  
24           case may be, does not exceed \$10,000.

25                   “(C) **SPECIFIED NOTICE.**—For purposes of  
26           this paragraph, the term ‘specified notice’

1 means a notice required under paragraph (1) by  
2 reason of the individual taking the position for  
3 United States income tax reporting purposes  
4 that the individual became a bona fide resident  
5 of a possession specified in subsection (a)(1).

6 “(D) TRADED DIGITAL ASSET PROP-  
7 ERTY.—For purposes of this paragraph, the  
8 term ‘traded digital asset property’ has the  
9 meaning given such term in subsection (d)(5).

10 “(E) TRANSITION RULE.—In the case of  
11 an individual who was required to file a speci-  
12 fied notice under paragraph (1) with respect to  
13 one of the 9 taxable years immediately pre-  
14 ceding the first taxable year of the taxpayer be-  
15 ginning after December 31, 2026, and who was  
16 a specified possession resident individual (as de-  
17 fined in subsection (d)(3)) for such taxable  
18 year, such individual shall file a notice with the  
19 Secretary stating the fair market value and  
20 basis (determined as of the last day of the tax-  
21 able year preceding the taxable year to which  
22 such notice relates) of each traded digital asset  
23 property (as defined in subsection (d)(5)) that  
24 was held by the taxpayer both on such last day  
25 and on January 1, 2027. The notice required

1 under the preceding sentence shall be filed with  
2 the Secretary not later than the earlier of—

3 “(i) the due date of the taxpayer’s re-  
4 turn of tax for the taxpayer’s first taxable  
5 year beginning after December 31, 2026,  
6 during which the taxpayer disposes of any  
7 traded digital asset property with respect  
8 to which information is required to be in-  
9 cluded in such notice, and

10 “(ii) such date as the Secretary may  
11 specify under subsection (d)(6)(B)(i).”.

12 (b) SPECIAL RULES FOR DETERMINING SOURCE.—

13 Section 937 is amended by adding at the end the following  
14 new subsection:

15 “(d) SPECIAL RULES FOR TRADED DIGITAL AS-  
16 SETS.—

17 “(1) IN GENERAL.—Notwithstanding subsection  
18 (b)(1) (and except as provided in subsection (b)(2)),  
19 in the case of any specified possession resident indi-  
20 vidual for any taxable year, any gain recognized (di-  
21 rectly or indirectly) on the disposition of traded dig-  
22 ital asset property during such taxable year—

23 “(A) shall, except as provided in subpara-  
24 graph (B), be treated as gain from sources  
25 within the United States, and

1           “(B) shall be treated as gain from sources  
2           within the relevant possession (and not from  
3           sources within the United States) to the extent  
4           that the taxpayer—

5                   “(i) timely provided the information  
6                   specified in subsection (c)(3) to the Sec-  
7                   retary with respect to such property, and

8                   “(ii) demonstrates to the satisfaction  
9                   of the Secretary that such gain is properly  
10                  attributable to the increase in the value of  
11                  such property during periods that such in-  
12                  dividual was a bona fide resident of such  
13                  possession.

14           “(2) ELECTION FOR WIDELY TRADED DIGITAL  
15           ASSETS.—

16                   “(A) IN GENERAL.—In the case of any  
17                  electing individual—

18                           “(i) such individual shall recognize  
19                           gain on any widely traded digital assets  
20                           held by such individual as of the close of  
21                           the taxable year preceding the taxable year  
22                           described in subparagraph (B) as if such  
23                           assets were sold for their fair market value  
24                           as of such time,

1                   “(ii) proper adjustment shall be made  
2                   in the amount of any gain or loss subse-  
3                   quently realized for gain taken into ac-  
4                   count under clause (i), and

5                   “(iii) paragraph (1) shall not apply to  
6                   any disposition of a widely traded digital  
7                   asset by such taxpayer (without regard to  
8                   whether clause (i) applied to such asset).

9                   “(B) ELECTING INDIVIDUAL.—For pur-  
10                  poses of this paragraph, the term ‘electing indi-  
11                  vidual’ means any specified possession resident  
12                  individual who elects (in such manner as the  
13                  Secretary may provide) the application of this  
14                  paragraph not later than the due date for the  
15                  return of tax for the taxable year for which  
16                  such individual first becomes a bona fide resi-  
17                  dent of the relevant possession.

18                  “(3) SPECIFIED POSSESSION RESIDENT INDI-  
19                  VIDUAL.—For purposes of this subsection, the term  
20                  ‘specified possession resident individual’ means, with  
21                  respect to any taxable year, any citizen of the  
22                  United States who—

23                         “(A) is a bona fide resident of Guam,  
24                         American Samoa, the Northern Mariana Is-

1 lands, Puerto Rico, or the Virgin Islands for  
2 such taxable year, and

3 “(B) was a resident of the United States  
4 at any time during the preceding 10 taxable  
5 years.

6 “(4) RELEVANT POSSESSION.—For purposes of  
7 this subsection, the term ‘relevant possession’  
8 means, with respect to any specified possession resi-  
9 dent individual for any taxable year, the possession  
10 referred to in paragraph (3)(A) with respect to  
11 which such individual is a bona fide resident for  
12 such taxable year.

13 “(5) TRADED DIGITAL ASSET PROPERTY.—For  
14 purposes of this subsection, the term ‘traded digital  
15 asset property’ means—

16 “(A) any traded digital asset,

17 “(B) any notional principal contract with  
18 respect to a traded digital asset,

19 “(C) any evidence of an interest in, or a  
20 derivative instrument in, any traded digital  
21 asset described in subparagraph (A) or (B), in-  
22 cluding any option, forward contract, futures  
23 contract, short position, and any similar instru-  
24 ment in such traded digital asset,

1 “(D) to the extent provided by the Sec-  
2 retary, any position which—

3 “(i) is not a traded digital asset prop-  
4 erty described in subparagraph (A), (B), or  
5 (C), and

6 “(ii) is a hedge with respect to such  
7 a traded digital asset property, or

8 “(E) any interest in any entity if—

9 “(i) the taxpayer contributed any  
10 traded digital asset to such entity (directly  
11 or indirectly), or

12 “(ii) more than 25 percent of the  
13 value of such entity is derived (directly or  
14 indirectly) from traded digital assets (other  
15 than qualified U.S. dollar stablecoins), de-  
16 termined without regard to any assets ac-  
17 quired by such entity as part of a plan a  
18 principal purpose of which is to prevent in-  
19 terests in such entity from being treated as  
20 traded digital assets for purposes of this  
21 section.

22 “(6) REGULATIONS.—The Secretary shall issue  
23 regulations or other guidance as may be necessary  
24 or appropriate to carry out the purposes of this sub-  
25 section, including regulations or other guidance—

1           “(A) treating gain on dispositions of trad-  
2           ed digital asset property by a partnership as de-  
3           scribed in section 702(a)(7) to the extent such  
4           gain is taken into account (directly or indi-  
5           rectly) in the distributive share of any specified  
6           possession resident individual,

7           “(B) providing for the appropriate alloca-  
8           tion of losses on the disposition of traded digital  
9           asset property with respect to specified posses-  
10          sion resident individuals, and

11          “(C) providing appropriate transition rules  
12          for individuals who first became a bona fide  
13          resident of the relevant possession during one of  
14          the 9 taxable years preceding the first taxable  
15          year of the taxpayer beginning after December  
16          31, 2026, including alternative rules—

17               “(i) for timely providing the informa-  
18               tion described in subsection (c)(3),

19               “(ii) for timely making the election  
20               described in paragraph (2)(B), and

21               “(iii) for applying paragraph (2)(A)—

22                       “(I) with respect to the taxable  
23                       year for which the election is timely  
24                       made under clause (ii) of this sub-  
25                       paragraph, and

1 “(II) only to widely traded digital  
2 assets acquired before becoming a  
3 bona fide resident of the relevant pos-  
4 session and not disposed of before  
5 January 1, 2027.”.

6 (c) LIMITATION ON ASSESSMENT AND COLLEC-  
7 TION.—Section 6501(c)(8)(A) is amended by inserting  
8 “937(c)(3),” before “1298(f),”.

9 (d) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years beginning after  
11 December 31, 2026.

12 **SEC. 305. APPLICATION OF REGISTRATION-REQUIRED OB-**  
13 **LIGATION RULES.**

14 (a) EXCEPTION FOR QUALIFIED U.S. DOLLAR  
15 STABLECOINS.—Section 163(f)(2)(A) is amended—

16 (1) by striking “or” at the end of clause (ii),

17 (2) by striking the period at the end of clause

18 (iii) and inserting “, or”, and

19 (3) by adding at the end the following new  
20 clause:

21 “(iv) is a qualified U.S. dollar  
22 stablecoin.”.

23 (b) CLARIFICATION OF TREATMENT OF DIGITAL AS-  
24 SETS.—Section 4701 is amended by adding at the end the  
25 following new subsection:

1 “(c) DIGITAL ASSETS.—

2 “(1) LOCATION OF DISCLOSURE STATEMENT.—

3 In the case of any digital asset, the requirement of  
4 clause (iii) of subsection (b)(1)(B) shall be treated  
5 as satisfied if the statement described therein is in-  
6 cluded in all written terms or marketing materials  
7 with respect to such digital asset and in such other  
8 locations or documents as the Secretary may pre-  
9 scribe in regulations.

10 “(2) TREATMENT OF DIGITAL ASSETS WITHOUT  
11 A FIXED MATURITY DATE.—In the case of any dig-  
12 ital asset that does not have a fixed maturity date  
13 at issue, the date of maturity of such asset for pur-  
14 poses of subsection (a)(2) shall be treated as the  
15 date that is 25 years after the date of issuance of  
16 such digital asset.”.

17 (c) EFFECTIVE DATE.—

18 (1) IN GENERAL.—Except as otherwise pro-  
19 vided in this subsection, the amendments made by  
20 this section shall apply to taxable years ending after  
21 the date of the introduction of this Act.

22 (2) CLARIFICATION OF TREATMENT OF DIGITAL  
23 ASSETS WITHOUT A FIXED MATURITY DATE.—The  
24 amendment made by subsection (b) shall apply to

1 digital assets issued after the date of the introduc-  
2 tion of this Act.

3 **SEC. 306. CERTAIN RULES RELATED TO CHARACTER OF**  
4 **GAINS AND LOSSES RELATING TO DIGITAL**  
5 **ASSETS.**

6 (a) APPLICATION OF WORTHLESS ASSET RULES.—

7 (1) IN GENERAL.—Section 165 is amended by  
8 redesignating subsection (m) as subsection (n) and  
9 by inserting after subsection (l) the following new  
10 subsection:

11 “(m) WORTHLESS DIGITAL ASSETS.—If any digital  
12 asset (other than a tokenized digital asset described in  
13 subsection (g)(2)(D)) becomes worthless during the tax-  
14 able year, the loss resulting therefrom shall, for purposes  
15 of this subtitle, be treated as a loss from the sale or ex-  
16 change, on the last day of the taxable year, of such digital  
17 asset.”.

18 (2) CERTAIN TOKENIZED SECURITIES.—Section  
19 165(g)(2) is amended—

20 (A) by striking the semicolon at the end of  
21 subparagraph (A) and inserting a comma,

22 (B) by striking “; or” at the end of sub-  
23 paragraph (B) and inserting a comma,

24 (C) by striking the period at the end of  
25 subparagraph (C) and inserting “, or”, and

1 (D) by adding at the end the following new  
2 subparagraph:

3 “(D) a tokenized digital asset that is eco-  
4 nomically equivalent to a security described in  
5 subparagraph (A), (B), or (C).”.

6 (b) APPLICATION OF RULES FOR FUTURES CON-  
7 TRACTS.—

8 (1) IN GENERAL.—Section 1234B(c) is amend-  
9 ed by striking all that precedes “any security future  
10 (as defined” and inserting the following:

11 “(c) SPECIFIED ASSET FUTURES CONTRACT.—For  
12 purposes of this section—

13 “(1) IN GENERAL.—The term ‘specified asset  
14 futures contract’ means—

15 “(A) any securities futures contract, and

16 “(B) any futures contract in a digital  
17 asset.

18 “(2) SECURITIES FUTURES CONTRACT.—The  
19 term ‘securities futures contract’ means”.

20 (2) CONFORMING AMENDMENTS.—

21 (A) Section 1234A(1) is amended by strik-  
22 ing “securities futures contract” and inserting  
23 “specified asset futures contract”.

24 (B) Subsections (a)(1), (b), and (d) of sec-  
25 tion 1234B are each amended by striking “se-

1 securities futures contract” and inserting “speci-  
2 fied asset futures contract”.

3 (C) Section 1234B(e) is amended by strik-  
4 ing “securities futures contracts” and inserting  
5 “specified asset futures contracts”.

6 (D) The heading of section 1234B is  
7 amended by striking “SECURITIES FUTURES  
8 CONTRACTS” and inserting “**SPECIFIED**  
9 **ASSET FUTURES CONTRACTS**”.

10 (E) The item relating to section 1234B in  
11 the table of sections for part IV of subchapter  
12 P of chapter 1 is amended by striking “securi-  
13 ties futures contracts” and inserting “specified  
14 asset futures contracts”.

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years ending after the  
17 date of the enactment of this Act.

18 **SEC. 307. MISCELLANEOUS PROVISIONS.**

19 (a) DISTRIBUTIONS OF TRADED DIGITAL ASSETS  
20 FROM A PARTNERSHIP TO A PARTNER.—

21 (1) TRADED DIGITAL ASSETS TREATED AS MAR-  
22 KETABLE SECURITIES.—Section 731(c)(2)(A) is  
23 amended—

24 (A) by striking “means financial instru-  
25 ments” and inserting “means—

1 “(i) financial instruments”,

2 (B) by striking the period at the end and  
3 inserting “, and”, and

4 (C) by adding at the end the following new  
5 clause:

6 “(ii) traded digital assets (determined  
7 without regard to clause (iii) of section  
8 7701(p)(2)(A)) other than specified  
9 stablecoins (as defined in subsection  
10 (d)(4)(A)).”.

11 (2) TREATMENT OF DISTRIBUTIONS OF SPECI-  
12 FIED STABLECOINS.—Section 731 is amended—

13 (A) by redesignating subsection (d) as sub-  
14 section (e), and

15 (B) by inserting after subsection (c) the  
16 following new subsection:

17 “(d) TREATMENT OF SPECIFIED STABLECOINS.—

18 “(1) IN GENERAL.—For purposes of subsection  
19 (a)(1) and section 737—

20 “(A) the term ‘money’ includes specified  
21 stablecoins, and

22 “(B) such specified stablecoins shall be  
23 taken into account at their fair market value as  
24 of the date of the distribution.

1           “(2) BASIS OF SECURITIES DISTRIBUTED.—Ex-  
2       cept as otherwise provided by the Secretary—

3           “(A) IN GENERAL.—For purposes of sub-  
4       section (c)(4), the term ‘marketable securities’  
5       includes specified stablecoins (other than ex-  
6       empt U.S. dollar stablecoins).

7           “(B)       EXEMPT       U.S.       DOLLAR  
8       STABLECOINS.—In the case of any exempt U.S.  
9       dollar stablecoin, paragraph (1) shall be applied  
10      by substituting ‘sections 732, 733, and 737’ for  
11      ‘section 737’.

12          “(3)   APPLICATION   OF   CERTAIN   OTHER  
13      RULES.—Except as otherwise provided by the Sec-  
14      retary, for purposes of paragraphs (5) and (6) of  
15      subsection (c), the term ‘marketable securities’ in-  
16      cludes specified stablecoins.

17          “(4) DEFINITIONS.—For purposes of this sub-  
18      section—

19               “(A) SPECIFIED STABLECOIN.—The term  
20      ‘specified stablecoin’ means any digital asset  
21      which is designed to track the value of the func-  
22      tional currency of the partner to which such  
23      digital asset is distributed.

1                   “(B)       EXEMPT       U.S.       DOLLAR  
2           STABLECOIN.—The term ‘exempt U.S. dollar  
3           stablecoin’ means any specified stablecoin if—

4                   “(i) the functional currency referred  
5                   to in subparagraph (A) with respect to  
6                   such stablecoin is the dollar, and

7                   “(ii) no gain or loss would have been  
8                   recognized by reason of section 1063 if the  
9                   partnership had sold such stablecoin for its  
10                  redemption value (as defined in section  
11                  1063(d)) immediately before distribution.

12                  “(5) REGULATIONS.—The Secretary shall pre-  
13                  scribe such regulations or other guidance as may be  
14                  necessary or appropriate to carry out the purposes  
15                  of this subsection, including regulations or other  
16                  guidance to prevent the avoidance of such pur-  
17                  poses.”.

18                  (3)    CONFORMING    AMENDMENTS.—Section  
19                  737(e) is amended—

20                       (A)    by    inserting    “and    specified  
21                       stablecoins” after “marketable securities”,

22                       (B) by striking “section 731(c)” and in-  
23                       serting “section 731”, and

1 (C) by inserting “AND SPECIFIED  
2 STABLECOINS” after “MARKETABLE SECURI-  
3 TIES” in the heading thereof.

4 (4) EFFECTIVE DATE.—The amendments made  
5 by this subsection shall apply to distributions made  
6 after December 31, 2026.

7 (b) TRADED DIGITAL ASSETS TAKEN INTO ACCOUNT  
8 IN DETERMINING INVESTMENT COMPANY STATUS.—

9 (1) IN GENERAL.—Section 351(e)(1)(B) is  
10 amended—

11 (A) by redesignating clauses (iv) through  
12 (viii) as clauses (v) through (ix), respectively,  
13 and

14 (B) by inserting after clause (iii) the fol-  
15 lowing new clause:

16 “(iv) any traded digital asset (deter-  
17 mined without regard to clause (iii) of sec-  
18 tion 7701(p)(2)(A)),”.

19 (2) CONFORMING AMENDMENTS.—

20 (A) Section 351(e)(1)(B)(v) (as redesign-  
21 nated by paragraph (1)) is amended by striking  
22 “clause (v) or (viii)” and inserting “clause (vi)  
23 or (ix)”.

1 (B) Section 351(e)(1)(B)(vii) (as redesign-  
2 nated by paragraph (1)) is amended by striking  
3 “clause (viii)” and inserting “clause (ix)”.

4 (C) Section 351(e)(1)(B)(viii) (as redesign-  
5 nated by paragraph (1)) is amended by striking  
6 “clauses (i) through (v) or clause (viii)” and in-  
7 serting “clauses (i) through (vi) or clause (ix)”.

8 (D) Section 351(e)(1)(B) is amended in  
9 the matter following clause (ix) (as redesignated  
10 by paragraph (1)) by striking “clauses (i)  
11 through (v)” and inserting “clauses (i) through  
12 (vi)”.

13 (3) EFFECTIVE DATE.—The amendments made  
14 by this subsection shall apply to transfers made  
15 after December 31, 2026.

16 (c) CERTAIN STABLECOIN LENDING TREATED AS IN-  
17 DEBTEDNESS.—

18 (1) IN GENERAL.—Subpart D of part V of sub-  
19 chapter P of chapter 1 is amended by adding at the  
20 end the following new section:

21 **“SEC. 1289. STABLECOIN LENDING.**

22 “(a) IN GENERAL.—Except as otherwise provided by  
23 the Secretary, for purposes of this title, the lending, rent-  
24 al, sale and repurchase, or other transfer of specified  
25 stablecoins shall be treated as indebtedness (and transfers

1 made pursuant to such lending, rental, sale and repur-  
2 chase, or other transfer shall be treated as interest) in  
3 the same manner, and to the same extent, as the equiva-  
4 lent transfer of money.

5 “(b) SPECIFIED STABLECOIN.—Except as otherwise  
6 provided by the Secretary, for purposes of this section, the  
7 term ‘specified stablecoin’ means any digital asset which  
8 is designed to track the value of any currency or cur-  
9 rencies.

10 “(c) SPECIAL RULE FOR SALE AND REPURCHASES  
11 INVOLVING CURRENCY OR DIFFERENT TYPES OF SPECI-  
12 FIED STABLECOIN.—Except as otherwise provided by the  
13 Secretary, for purposes of this section, a sale (or repur-  
14 chase) of a specified stablecoin in connection with a repur-  
15 chase (or sale) of currency or a different type (determined  
16 under rules similar to the rules of section 1051(b)(2)) of  
17 specified stablecoin shall be treated as a sale and repur-  
18 chase of a specified stablecoin.

19 “(d) REGULATIONS.—The Secretary may issue such  
20 regulations or other guidance as may be necessary or ap-  
21 propriate to carry out the purposes of this section, includ-  
22 ing regulations or other guidance providing rules for deter-  
23 mining the source of interest income if the payor is un-  
24 known and backup withholding and reporting rules if the  
25 recipient of an interest payment is unknown.

1       “(e) CROSS REFERENCE.—For special rules applica-  
2 ble to transfers of specified stablecoins that are indebted-  
3 ness under this section, see sections 1271 through 1288.”.

4           (2) CLERICAL AMENDMENT.—The table of sec-  
5 tions for subpart D of part V of subchapter P of  
6 chapter 1 is amended by adding at the end the fol-  
7 lowing new item:

“Sec. 1289. Stablecoin lending.”.

8           (3) EFFECTIVE DATE.—The amendments made  
9 by this subsection shall apply to taxable years begin-  
10 ning after December 31, 2026.

11       (d) DIGITAL ASSETS NOT TREATED AS SECTION 197  
12 INTANGIBLES.—

13           (1) IN GENERAL.—Section 197(e) is amended  
14 by adding at the end the following new paragraph:

15           “(8) DIGITAL ASSETS.—Except as otherwise  
16 provided by the Secretary to prevent abuse, any dig-  
17 ital asset.”.

18           (2) EFFECTIVE DATE.—The amendment made  
19 by this subsection shall apply to digital assets ac-  
20 quired after the date of the introduction of this Act.

21       (e) APPLICATION OF STRADDLE RULES TO TRADED  
22 DIGITAL ASSETS, ETC.—

23           (1) IN GENERAL.—Section 1092(d)(1) is  
24 amended—

1 (A) by striking “means any” and inserting

2 “means—

3 “(A) any”,

4 (B) by striking the period at the end and  
5 inserting “, and”, and

6 (C) by adding at the end the following new  
7 subparagraph:

8 “(B) any traded digital asset (determined  
9 without regard to clause (iii) of section  
10 7701(p)(2)(A)).”.

11 (2) EFFECTIVE DATE.—The amendments made  
12 by this subsection shall apply to positions established  
13 after the date of the enactment of this Act.

14 (f) BACKUP WITHHOLDING ON ILLIQUID DIGITAL  
15 ASSETS PAID FOR DIGITAL ASSET VALIDATION SUP-  
16 PORTING ACTIVITIES.—

17 (1) IN GENERAL.—Section 3406(h) is amended  
18 by adding at the end the following new paragraph:

19 “(11) CERTAIN ILLIQUID DIGITAL ASSETS PAID  
20 FOR DIGITAL ASSET VALIDATION SUPPORTING AC-  
21 TIVITIES.—

22 “(A) IN GENERAL.—In the case of an  
23 other reportable payment that consists of speci-  
24 fied illiquid digital assets, except to the extent  
25 provided by the Secretary in regulations or

1           other guidance, the payor shall be treated as  
2           having deducted and withheld from such pay-  
3           ment the amount specified in subsection (a)(1)  
4           (and the proceeds of the liquidation referred to  
5           in clause (ii) shall be treated as the amount de-  
6           ducted and withheld under subsection (a)(1)) if  
7           such payor—

8                   “(i) holds the applicable percentage of  
9                   such specified illiquid digital assets (here-  
10                  after referred to as the ‘withheld amount  
11                  of digital assets’) in a manner that pre-  
12                  vents the recipient from using or with-  
13                  drawing the withheld amount of digital as-  
14                  sets,

15                   “(ii) liquidates the withheld amount of  
16                   digital assets at fair market value not later  
17                   than the close of the first business day fol-  
18                   lowing the close of such fixed period, and

19                   “(iii) deposits the proceeds of such  
20                   liquidation at the time and in the same  
21                   manner as would be required with respect  
22                   to an amount withheld on the date of such  
23                   liquidation.

24                   “(B) SPECIFIED ILLIQUID DIGITAL  
25                   ASSET.—For purposes of this paragraph, the

1 term ‘specified illiquid digital assets’ means dig-  
2 ital assets that are—

3 “(i) transferred to the recipient in ex-  
4 change for digital asset validation sup-  
5 porting activities, and

6 “(ii) restricted from being sold, ex-  
7 changed, transferred, or otherwise disposed  
8 of, for a fixed period that ends after the  
9 date of such transfer.

10 “(C) APPLICABLE PERCENTAGE.—For  
11 purposes of this paragraph, the term ‘applicable  
12 percentage’ means the rate of tax referred to in  
13 subsection (a)(1), expressed as a percentage.”.

14 (2) EFFECTIVE DATE.—The amendment made  
15 by this subsection shall apply to specified illiquid  
16 digital assets received after December 31, 2026.

17 **TITLE IV—CLARIFYING THE TAX**  
18 **TREATMENT OF MINING AND**  
19 **STAKING**

20 **SEC. 401. SOURCE AND CHARACTER OF MINING AND STAK-**  
21 **ING INCOME.**

22 (a) DETERMINATION OF SOURCE.—Section 863 is  
23 amended by adding at the end the following new sub-  
24 section:

1       “(f) TREATMENT OF INCOME FROM DIGITAL ASSET  
2       VALIDATION SUPPORTING ACTIVITIES.—

3               “(1) IN GENERAL.—Income from digital asset  
4       validation supporting activities shall be sourced—

5               “(A) in the United States if the taxpayer  
6       is a United States resident, and

7               “(B) outside the United States if the tax-  
8       payer is a nonresident.

9       “(2) TREATMENT OF BRANCHES.—

10              “(A) FOREIGN BRANCHES.—In the case of  
11       a United States person with a qualified busi-  
12       ness unit (as defined in section 989(a)) in a  
13       foreign country, income described in paragraph  
14       (1) that constitutes business profits attributable  
15       to such unit shall be sourced outside the United  
16       States.

17              “(B) U.S. BRANCHES.—In the case of a  
18       person that is not a United States person and  
19       that maintains an office or other fixed place of  
20       business in the United States, income described  
21       in paragraph (1) attributable to such office or  
22       other fixed place of business shall be sourced in  
23       the United States.

24              “(C) ATTRIBUTION.—For purposes of sub-  
25       paragraphs (A) and (B), the Secretary may

1 issue such regulations or other guidance as the  
2 Secretary determines necessary or appropriate  
3 for purposes of determining the amount of busi-  
4 ness profits attributable to a qualified business  
5 unit or office or other fixed place of business.

6 “(3) TREATMENT OF PARTNERSHIPS.—In the  
7 case of a partnership, except as otherwise provided  
8 by the Secretary in regulations or other guidance,  
9 this subsection shall be applied at the partner level.

10 “(4) UNITED STATES RESIDENT; NON-  
11 RESIDENT.—For purposes of this subsection, the  
12 terms ‘United States resident’ and ‘nonresident’  
13 have the meaning given such terms, respectively, in  
14 section 865(g)(1), determined after application of  
15 section 865(g)(2).”.

16 (b) DETERMINATION OF CHARACTER.—

17 (1) IN GENERAL.—Part IV of subchapter P of  
18 chapter 1 is amended by adding at the end the fol-  
19 lowing new section:

20 **“SEC. 1261. INCOME FROM DIGITAL ASSET VALIDATION**  
21 **SUPPORTING ACTIVITIES.**

22 “Income from digital asset validation supporting ac-  
23 tivities shall be treated as ordinary income.”.

24 (2) CLERICAL AMENDMENT.—The table of sec-  
25 tions for part IV of subchapter P of chapter 1 is

1       amended by adding at the end the following new  
2       item:

“Sec. 1261. Income from digital asset validation supporting activities.”.

3       (c) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 the date of the enactment of this Act.

6       **SEC. 402. INVESTMENT TRUSTS ENGAGED IN DIGITAL**  
7               **ASSET STAKING.**

8       (a) **IN GENERAL.**—Section 7701(p), as added by sec-  
9 tion 601 of this Act, is amended by adding at the end  
10 the following new paragraph:

11               “(13) **STATUS OF TRUSTS ENGAGED IN DIGITAL**  
12       **ASSET STAKING.**—

13               “(A) **IN GENERAL.**—An entity or arrange-  
14 ment shall not fail to be treated as a trust for  
15 purposes of this title solely by reason of the  
16 power of the trustee of such entity or under  
17 such arrangement to—

18                       “(i) engage in staking digital assets  
19                       held by the trust,

20                       “(ii) retain or distribute digital assets  
21                       received in connection with such staking,

22                       “(iii) determine which digital assets  
23                       held by the trust to use in staking,

24                       “(iv) to the extent that any digital as-  
25                       sets held by the trust are committed to

1           staking, take measures necessary or appro-  
2           priate to ensure that the trust has suffi-  
3           cient liquidity to make distributions in re-  
4           demption of interests in the trust, includ-  
5           ing by borrowing or entering into an agree-  
6           ment to borrow money or digital assets to  
7           make such distributions, and

8                   “(v) perform acts related to the exer-  
9           cise of the powers described in the pre-  
10          ceding clauses of this subparagraph.

11                   “(B) NOT TO APPLY TO VALIDATING  
12          TRADE OR BUSINESS.—Subparagraph (A) shall  
13          not apply in the case of an entity or arrange-  
14          ment engaged in the active conduct of a trade  
15          or business of validating digital asset trans-  
16          actions.

17                   “(C) REGULATIONS.—The Secretary may  
18          prescribe such regulations or other guidance as  
19          may be necessary or appropriate to carry out  
20          the purposes of this paragraph.”.

21          (b) CLERICAL AMENDMENT.—The heading for sec-  
22          tion 7701(p), as added by section 601 of this Act, is  
23          amended by inserting “AND SPECIAL RULES” after  
24          “DEFINITIONS”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years ending after the  
3 date of the enactment of this Act.

4 **TITLE V—ENSURING THAT OWN-**  
5 **ERS AND USERS OF DIGITAL**  
6 **ASSETS FACE AN APPRO-**  
7 **PRIATE TAX COMPLIANCE**  
8 **BURDEN**

9 **SEC. 501. BROKER REQUIREMENTS.**

10 (a) IN GENERAL.—

11 (1) EXCEPTION FOR QUALIFIED U.S. DOLLAR  
12 STABLECOINS ACQUIRED AT REDEMPTION VALUE.—  
13 Section 6045(g)(3)(D) is amended to read as fol-  
14 lows:

15 “(D) SPECIFIED DIGITAL ASSET.—The  
16 term ‘specified digital asset’ means any digital  
17 asset other than a qualified U.S. dollar  
18 stablecoin the customer’s basis in which at the  
19 time of acquisition is at least 99.5 percent of  
20 such stablecoin’s redemption value (as defined  
21 in section 1063(d)).”.

22 (2) CONFORMING AMENDMENTS.—

23 (A) Section 6045(c)(1)(D) is amended by  
24 striking “digital assets” and inserting “speci-  
25 fied digital assets”.

1 (B) Subparagraph (B)(iv) and subpara-  
2 graph (C)(iii) of section 6045(g)(3) are each  
3 amended by striking “digital asset” and insert-  
4 ing “specified digital asset”.

5 (C) Section 6050I(d)(3) is amended by  
6 striking “(as defined in section  
7 6045(g)(3)(D))”.

8 (3) TRANSITION RULES.—The Secretary of the  
9 Treasury, or the Secretary’s delegate, may, con-  
10 sistent with the purposes of section 6045(g) of the  
11 Internal Revenue Code of 1986—

12 (A) provide temporary safe harbor rules  
13 for brokers that address periods before the date  
14 that is 18 months after the issuance of final  
15 regulations or other guidance under section  
16 1063(e) of such Code, and

17 (B) provide rules that allow brokers to  
18 treat, for purposes of section 6045(g)(3)(D) of  
19 such Code (as amended by this section), the  
20 customer’s basis in a qualified U.S. dollar  
21 stablecoin (as defined in section 7701(p)(7) of  
22 such Code) at time of acquisition as being equal  
23 to the redemption value (as defined in section  
24 1063(d)) of such stablecoin if—

1 (i) such stablecoin was acquired be-  
2 fore the date that is 18 months after the  
3 issuance of final regulations or other guid-  
4 ance under section 1063(e) of such Code,  
5 and

6 (ii) the customer's adjusted basis (de-  
7 termined in accordance with section  
8 6045(g)(2)(B) of such Code) in such  
9 stablecoin as of the later of—

10 (I) December 31, 2026, or

11 (II) the date that such stablecoin  
12 first became a qualified U.S. dollar  
13 stablecoin (as so defined),  
14 is at least 99.5 percent of such redemption  
15 value.

16 (b) SPECIAL RULES FOR DIGITAL ASSETS USED TO  
17 PAY DE MINIMIS DIGITAL ASSET FEES.—Section  
18 6045(g) is amended by adding at the end the following  
19 new paragraph:

20 “(7) SPECIAL RULES FOR DIGITAL ASSETS  
21 USED TO PAY DE MINIMIS DIGITAL ASSET FEES.—

22 “(A) IN GENERAL.—Except as otherwise  
23 provided by the Secretary, in the case of the  
24 disposition of a digital asset with respect to

1           which no gain or loss is recognized by reason of  
2           section 1044(a)—

3                   “(i) except as provided in clause (ii),  
4                   subsection (a) shall not apply to such dis-  
5                   position, and

6                   “(ii) the broker shall include in a re-  
7                   turn under subsection (a) such aggregate  
8                   information relating to such dispositions of  
9                   the taxpayer as the Secretary determines  
10                  necessary or appropriate, including for  
11                  purposes of verifying the taxpayer’s basis  
12                  in digital assets held by the taxpayer.

13                  “(B) APPLICATION OF DE MINIMIS EXCEP-  
14                  TION.—If the broker has been notified by the  
15                  taxpayer or the Secretary that the exception de-  
16                  scribed in section 1044(f)(1)(B) applies to such  
17                  taxpayer, the broker may treat such exception  
18                  as continuing to apply with respect to such tax-  
19                  payer for any calendar year (hereafter in this  
20                  subparagraph referred to as the ‘current cal-  
21                  endar year’) unless—

22                   “(i) such taxpayer had more than  
23                   5,000 digital asset transactions with such  
24                   broker during any of the 5 preceding cal-  
25                   endar years and the taxpayer has not noti-

1           fied the broker that such exception applies  
2           to such taxpayer for the current calendar  
3           year,

4           “(ii) such taxpayer or the Secretary  
5           notifies such broker that such exception  
6           does not apply to such taxpayer, or

7           “(iii) such broker otherwise knows, or  
8           has reason to know, that such exception  
9           does not apply to such taxpayer.”.

10       (c) SPECIAL RULES FOR SIMPLIFIED ACCOUNTING  
11       FOR WIDELY TRADED DIGITAL ASSETS.—Section  
12       6045(g), as amended by subsection (b), is amended by  
13       adding at the end the following new paragraph:

14           “(8) SPECIAL RULES FOR SIMPLIFIED AC-  
15       COUNTING FOR WIDELY TRADED DIGITAL ASSETS.—

16           “(A) IN GENERAL.—Except as otherwise  
17       provided by the Secretary, in the case of widely  
18       traded digital assets with respect to which an  
19       election under section 1051 applies—

20           “(i) except as provided in clause (ii),  
21       subsection (a) shall not apply to disposi-  
22       tions of such assets, and

23           “(ii) the broker shall include in a re-  
24       turn under subsection (a) such information  
25       with respect to each designated type of

1           such assets (within the meaning of section  
2           1051) as the Secretary may provide, in-  
3           cluding—

4                   “(I) aggregate reporting with re-  
5                   spect to sales, exchanges, dispositions,  
6                   and acquisitions of assets of such des-  
7                   ignated type (including net gain or  
8                   loss thereon),

9                   “(II) the fair market value of as-  
10                  sets of such designated type held by  
11                  the taxpayer as of the beginning and  
12                  end of the calendar year, and

13                  “(III) such other information as  
14                  the Secretary may require with re-  
15                  spect to assets of such designated  
16                  type for purposes of the administra-  
17                  tion of section 1051.

18               “(B)   DETERMINATION   OF   ELECTION  
19               BASED ON BROKER NOTIFICATION.—For pur-  
20               poses of subparagraph (A), the broker shall  
21               take into account any election under section  
22               1051 (and any revocation of such election) if  
23               (and only if) the taxpayer or the Secretary noti-  
24               fies such broker of such election (or revocation)

1           or such broker otherwise knows, or has reason  
2           to know, of such election (or revocation).”.

3           (d) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to returns required to be filed, and  
5 statements required to be furnished, after December 31,  
6 2027.

7   **SEC. 502. ESTABLISHMENT OF DIGITAL ASSET VOLUNTARY**  
8                           **DISCLOSURE PROGRAM.**

9           (a) **IN GENERAL.**—Not later than 12 months after  
10 the date of the enactment of this Act, the Secretary shall  
11 establish the Digital Asset Voluntary Disclosure Program  
12 (hereinafter referred to as the “program”) to allow eligible  
13 taxpayers to remedy digital asset violations by fulfilling  
14 the remedial requirements described in subsection (b).

15          (b) **REMEDIAL REQUIREMENTS.**—The remedial re-  
16 quirements of this subsection are fulfilled if, at such time  
17 and in such manner as the Secretary determines appro-  
18 priate, the eligible taxpayer—

19           (1) files, not later than 24 months after the  
20 date on which the Secretary establishes the program,  
21 an amended return for each applicable taxable year  
22 with respect to which the proper amount of any tax  
23 item is affected by any digital asset violation,

24           (2) provides immediate payment, or the Sec-  
25 retary accepts from such taxpayer (and does not

1       thereafter terminate) an installment agreement  
2       under section 6159 to provide payment, of—

3               (A) the aggregate amount of the deficiency  
4               of tax (including any interest thereon) attrib-  
5               utable to all digital asset violations, and

6               (B) the digital asset violation penalty, and

7               (3) timely fulfills such other requirements, and  
8       provides such other information, as the Secretary  
9       determines appropriate.

10       (c) BENEFITS.—If the remedial requirements de-  
11       scribed in subsection (b) have been fulfilled to the satisfac-  
12       tion of the Secretary—

13               (1) in the case of an uncertified eligible tax-  
14       payer—

15               (A) the Secretary shall not assert any fur-  
16               ther penalties under sections 6662 and 6663  
17               with respect to any deficiency of tax attrib-  
18               utable to any digital asset violation properly  
19               disclosed by the taxpayer under the program,  
20               and

21               (B) the Secretary shall not use any infor-  
22               mation properly disclosed by the taxpayer under  
23               the program for purposes of referring such tax-  
24               payer for criminal investigation, or prosecuting  
25               such taxpayer, under section 7201, 7203, or

1           7206 (other than paragraph (2) thereof) with  
2           respect to any digital asset violation properly  
3           disclosed by the taxpayer under the program,  
4           and

5           (2) in the case of a certified eligible taxpayer,  
6           the Secretary shall not assert any further penalties  
7           under section 6662 with respect to any deficiency of  
8           tax attributable to any digital asset violation prop-  
9           erly disclosed by the taxpayer under the program.

10          (d) DEFINITIONS.—For purposes of this section—

11           (1) ELIGIBLE TAXPAYER.—

12                 (A) IN GENERAL.—The term “eligible tax-  
13           payer” means any uncertified eligible taxpayer  
14           or certified eligible taxpayer.

15                 (B) UNCERTIFIED ELIGIBLE TAXPAYER.—  
16           The term “uncertified eligible taxpayer” means  
17           any taxpayer who—

18                         (i) committed any digital asset viola-  
19                         tion during the applicable period,

20                         (ii) submits (in such form and manner  
21                         as the Secretary may prescribe), not later  
22                         than 24 months after the date on which  
23                         the Secretary establishes the program, an  
24                         application which is approved by the Sec-  
25                         retary to participate therein,

1 (iii) does not certify, under penalty of  
2 perjury, that no digital asset violation oc-  
3 ccurring during the applicable period was  
4 committed fraudulently or willfully, and

5 (iv) if subject to—

6 (I) any ongoing criminal inves-  
7 tigation with respect to any digital  
8 asset violation, or

9 (II) any ongoing audit or exam-  
10 ination by the Internal Revenue Serv-  
11 ice with respect to any applicable tax-  
12 able year,

13 has requested and been issued a waiver by  
14 the Secretary to nonetheless participate in  
15 the program. For purposes of clause (ii),  
16 the Secretary may impose a reasonable fee  
17 for submission of an application to partici-  
18 pate in the program.

19 (C) CERTIFIED ELIGIBLE TAXPAYER.—The  
20 term “certified eligible taxpayer” means any  
21 taxpayer who—

22 (i) committed any digital asset viola-  
23 tion during the applicable period,

24 (ii) as an addendum to each amended  
25 return filed under subsection (b)(1) (or at

1           such other time and in such other form  
2           and manner as the Secretary may pre-  
3           scribe), certifies, under penalty of perjury,  
4           that no digital asset violation occurring  
5           during the applicable period was com-  
6           mitted fraudulently or willfully, and

7                     (iii) if subject to any ongoing audit or  
8           examination by the Internal Revenue Serv-  
9           ice with respect to any applicable taxable  
10          year, has requested and been issued a  
11          waiver by the Secretary to nonetheless par-  
12          ticipate in the program.

13          (2) DIGITAL ASSET VIOLATION.—

14                 (A) IN GENERAL.—The term “digital asset  
15          violation” means, with respect to any eligible  
16          taxpayer, any instance in which such taxpayer  
17          failed to comply with a requirement under the  
18          Internal Revenue Code of 1986 if—

19                     (i) such instance relates to the owner-  
20          ship of, or transactions in, digital assets  
21          during the applicable period, and

22                     (ii) such failure affects the proper  
23          amount of any tax item with respect to any  
24          applicable taxable year.

1 (B) DIGITAL ASSET.—For purposes of sub-  
2 paragraph (A), the term “digital asset” means,  
3 except as otherwise provided by the Secretary,  
4 any digital representation of value which is re-  
5 corded on a cryptographically secured distrib-  
6 uted ledger or any similar technology as speci-  
7 fied by the Secretary.

8 (3) APPLICABLE PERIOD.—The term “applica-  
9 ble period” means, with respect to any eligible tax-  
10 payer, the period—

11 (A) beginning with the later of—

12 (i) the taxpayer’s first taxable year  
13 with respect to which the proper amount of  
14 any tax item is affected by any digital  
15 asset violation, or

16 (ii) the taxpayer’s first taxable year  
17 with respect to which a return of tax was  
18 filed during the 6-year period (3-year pe-  
19 riod in the case of a certified eligible tax-  
20 payer) immediately preceding the date of  
21 the enactment of this Act, and

22 (B) ending with the taxpayer’s last taxable  
23 year ending before the date of the enactment of  
24 this Act.

1           (4) APPLICABLE TAXABLE YEAR.—The term  
2           “applicable taxable year” means, with respect to any  
3           eligible taxpayer, any taxable year during the appli-  
4           cable period with respect to such taxpayer.

5           (5) DIGITAL ASSET VIOLATION PENALTY.—

6           (A) IN GENERAL.—The digital asset viola-  
7           tion penalty is an amount equal to the sum  
8           of—

9                   (i) 25 percent (0 percent in the case  
10                  of a certified eligible taxpayer) of the ag-  
11                  gregate amount of so much of the defi-  
12                  ciency of tax attributable to all digital  
13                  asset violations as does not exceed \$25,000  
14                  with respect to each applicable taxable  
15                  year, plus

16                   (ii) 40 percent (5 percent in the case  
17                  of a certified eligible taxpayer) of the ag-  
18                  gregate amount of so much of the defi-  
19                  ciency of tax attributable to all digital  
20                  asset violations as exceeds \$25,000 with  
21                  respect to each applicable taxable year.

22           (B) SPECIAL RULES FOR AMENDED RE-  
23           TURNS FILED AFTER CERTAIN DATE.—In the  
24           case of an amended return with respect to any  
25           applicable taxable year filed under subsection

1 (b)(1) after the date that is 12 months after  
2 the date on which the Secretary establishes the  
3 program, subparagraph (A) shall be applied  
4 with respect to such applicable taxable year—

5 (i) by substituting “40 percent” in  
6 lieu of “25 percent” in clause (i) thereof,

7 (ii) by substituting “5 percent” in lieu  
8 of “0 percent” in clause (i) thereof,

9 (iii) by substituting “50 percent” in  
10 lieu of “40 percent” in clause (ii) thereof,

11 (iv) by substituting “10 percent” in  
12 lieu of “5 percent” in clause (ii) thereof,

13 and

14 (v) in the case of a certified eligible  
15 taxpayer, by substituting “\$100,000” in  
16 lieu of “\$25,000” each place it appears.

17 (C) WAIVER BY SECRETARY.—The Sec-  
18 retary may waive part or all of the digital asset  
19 violation penalty to the extent the Secretary de-  
20 termines that such a waiver would be in the in-  
21 terests of justice and the proper administration  
22 of the internal revenue laws, including in cases  
23 involving digital asset violations attributable to  
24 reasonable cause (as determined by the Sec-  
25 retary).

1           (6) SECRETARY.—The term “Secretary” means  
2       the Secretary of the Treasury or the Secretary’s del-  
3       egate.

4       (e) ASSESSMENT AUTHORITY; WAIVER OF RESTRIC-  
5       TIONS AND LIMITATIONS ON ASSESSMENT.—For purposes  
6       of this section, any deficiency of tax, additional tax or  
7       amount, or digital asset violation penalty shall be assessed,  
8       collected, and paid in the same manner as taxes, as pro-  
9       vided in section 6665(a) (without regard to any restric-  
10      tions or limitations on assessment described in section  
11      6213 or 6501).

12      (f) REFERENCES TO INTERNAL REVENUE CODE OF  
13      1986.—Except as otherwise expressly provided, whenever  
14      in this section a reference is made to a section, the ref-  
15      erence shall be considered to be made to a section of the  
16      Internal Revenue Code of 1986.

17      (g) REGULATORY AUTHORITY.—The Secretary shall  
18      prescribe such regulations or other guidance as may be  
19      necessary or appropriate to carry out the purposes of this  
20      section, including with respect to the provision of reason-  
21      able assurances to taxpayers that any information prop-  
22      erly disclosed under the program shall not be used in con-  
23      travention of any benefit described in subsection (c).

1 **SEC. 503. TREASURY STUDY AND REPORT.**

2 (a) IN GENERAL.—The Secretary shall perform a  
3 study on the feasibility of using new digital technologies,  
4 including zero-knowledge proofs, smart contracts, and  
5 other blockchain technology for increased compliance, effi-  
6 ciency, and data protection in connection with information  
7 reporting, withholding, and taxpayer compliance regarding  
8 digital asset transactions.

9 (b) STUDY REQUIREMENTS.—In conducting the  
10 study under subsection (a), the Secretary shall—

11 (1) investigate the extent to which such new  
12 digital technology can—

13 (A) reduce compliance costs and burden  
14 for withholding agents on cross-border trans-  
15 actions involving digital assets,

16 (B) replace traditional information report-  
17 ing, withholding, transaction reports, and other  
18 financial information reporting for digital asset  
19 transactions using smart contract based with-  
20 holding, instantly verified self-reporting with  
21 zero-knowledge proofs, or other trustworthy al-  
22 ternatives to existing third-party information  
23 collection, withholding, and reporting for on-  
24 chain transactions (or to provide an equivalent  
25 to such collection and reporting in cases where

1 no intermediary currently provides equivalent  
2 data), and

3 (C) improve tax administration, reduce  
4 compliance costs, and improve taxpayer data se-  
5 curity,

6 (2) evaluate the effectiveness of current with-  
7 holding and backup withholding rules as applied to  
8 digital assets (including digital assets derived from  
9 staking activities) and assess whether existing tim-  
10 ing, liquidity, valuation, and remittance require-  
11 ments are workable where digital assets may be  
12 locked or otherwise unavailable for immediate use,

13 (3) identify challenges for payors, withholding  
14 agents, and the Internal Revenue Service in applying  
15 existing withholding and backup withholding rules  
16 and provide recommendations for legislative changes  
17 that would improve administration of withholding  
18 and backup withholding for digital assets,

19 (4) emphasize data security and individual pri-  
20 vacy improvements, including reducing identity theft  
21 risks from providing sensitive information to parties  
22 other than the Internal Revenue Service for report-  
23 ing purposes, in considering the efficacy of such new  
24 digital technologies, and

1           (5) coordinate with stakeholders, such as tech-  
2           nology developers, industry leaders, and data privacy  
3           and consumer protection experts, to identify new  
4           digital technologies, that are currently feasible or  
5           may be feasible in the near future, to promote effi-  
6           cient tax administration and reduced compliance  
7           burden for the digital economy.

8           (c) REPORT TO CONGRESS.—Not later than Sep-  
9           tember 30, 2028, the Secretary shall submit a written re-  
10          port to the Committee on Ways and Means of the House  
11          of Representatives and the Committee on Finance of the  
12          Senate that includes all of the findings of the Secretary  
13          with respect to the study conducted under subsections (a)  
14          and (b). Such report shall include a description of—

15                (1) the recommendations of the Secretary re-  
16                garding the adoption of any new digital technologies  
17                for the purposes described in subsection (a),

18                (2) any legislative changes to the tax laws nec-  
19                essary to implement such recommendations,

20                (3) any additional resources required by the  
21                Secretary for such implementation, and

22                (4) the amount of time required to complete  
23                such implementation.

1 (d) SECRETARY.—For purposes of this section, the  
2 term “Secretary” means the Secretary of the Treasury or  
3 the Secretary’s delegate.

4 **TITLE VI—DEFINITIONS; REGU-**  
5 **LATIONS; RULES OF CON-**  
6 **STRUCTION**

7 **SEC. 601. DEFINITIONS.**

8 Section 7701 is amended—

9 (1) by redesignating subsection (p) as sub-  
10 section (q), and

11 (2) by inserting after subsection (o) the fol-  
12 lowing new subsection:

13 “(p) DEFINITIONS RELATED TO DIGITAL ASSETS.—  
14 For purposes of this title—

15 “(1) DIGITAL ASSET.—The term ‘digital asset’  
16 means, except as otherwise provided by the Sec-  
17 retary, any digital representation of value which is  
18 recorded on a cryptographically secured distributed  
19 ledger or any similar technology as specified by the  
20 Secretary.

21 “(2) TRADED DIGITAL ASSET.—

22 “(A) IN GENERAL.—The term ‘traded dig-  
23 ital asset’ means, except as otherwise provided  
24 by the Secretary to prevent abuse, any digital  
25 asset if—

1 “(i) such asset is fungible,

2 “(ii) quotations of such asset are  
3 readily available on an exchange (or, in the  
4 case of an exchange that does not provide  
5 quotations, such quotations are readily as-  
6 certainable), and

7 “(iii) such asset is not a tokenized  
8 digital asset.

9 “(B) SPECIAL RULE FOR WRAPPED DIG-  
10 ITAL ASSETS.—In the case of any wrapped dig-  
11 ital asset, except as otherwise provided by the  
12 Secretary to prevent abuse, such asset shall be  
13 treated as a traded digital asset if, and only if,  
14 the reference digital asset with respect to such  
15 wrapped digital asset is a traded digital asset.

16 “(3) WIDELY TRADED DIGITAL ASSET.—

17 “(A) IN GENERAL.—The term ‘widely  
18 traded digital asset’ means, with respect to any  
19 taxpayer for any taxable year and except as  
20 otherwise provided by the Secretary to prevent  
21 abuse, any traded digital asset if—

22 “(i) quotations for such asset were  
23 readily available on an exchange for the  
24 entire calendar year which ends in or with

1 the taxable year preceding such taxable  
2 year,

3 “(ii) the market capitalization of such  
4 asset exceeded \$500,000,000 at substan-  
5 tially all times during such calendar year,  
6 and

7 “(iii) not more than 10 percent of the  
8 units of such asset were owned, directly or  
9 indirectly, by the taxpayer or any person  
10 described with respect to the taxpayer  
11 under section 267(b) (applied without re-  
12 gard to section 267(c)(3)) or section  
13 707(b)(1) at any time during such taxable  
14 year or such preceding taxable year.

15 “(B) SPECIAL RULE FOR WRAPPED DIG-  
16 ITAL ASSETS.—In the case of any wrapped dig-  
17 ital asset, except as otherwise provided by the  
18 Secretary to prevent abuse, such asset shall be  
19 treated as a widely traded digital asset with re-  
20 spect to any taxpayer if, and only if, the ref-  
21 erence digital asset with respect to such  
22 wrapped digital asset is a widely traded digital  
23 asset with respect to such taxpayer.

24 “(C) AUTHORITY TO ENSURE RELIABLE  
25 PRICE DISCOVERY.—For purposes of subpara-

1 graphs (A) and (B), the term ‘prevent abuse’  
2 includes the exclusion of assets that lack reli-  
3 able price discovery or that the Secretary deter-  
4 mines are at risk of price manipulation.

5 “(D) AUTHORITY TO ADJUST REQUIRE-  
6 MENTS.—The Secretary may, by regulation,  
7 provide requirements that apply in lieu of one  
8 or more of the requirements of clauses (i)  
9 through (iii) of subparagraph (A) if the Sec-  
10 retary determines that due to changes in mar-  
11 ket conditions (including by reason of the en-  
12 actment of Federal digital asset market struc-  
13 ture legislation) that such alternative require-  
14 ments would more effectively or efficiently iden-  
15 tify traded digital assets for which there is con-  
16 sistent and reliable price discovery.

17 “(E) INFLATION ADJUSTMENT.—In the  
18 case of any calendar year after 2027, the  
19 \$500,000,000 amount in subparagraph (A)(ii)  
20 shall be increased by an amount equal to—

21 “(i) such dollar amount, multiplied by

22 “(ii) the cost-of-living adjustment de-  
23 termined under section 1(f)(3) for such  
24 calendar year, determined by substituting

1                   ‘calendar year 2026’ for ‘calendar year  
2                   2016’ in subparagraph (A)(ii) thereof.

3                   Any increase determined under the preceding  
4                   sentence which is not a multiple of \$100,000  
5                   shall be rounded to the nearest multiple of  
6                   \$100,000.

7                   “(4) TOKENIZED DIGITAL ASSET.—

8                   “(A) IN GENERAL.—The term ‘tokenized  
9                   digital asset’ means any digital asset (other  
10                  than any qualified U.S. dollar stablecoin) if  
11                  more than an insignificant portion of the value  
12                  of such digital asset is derived from anything  
13                  other than the operation of the cryptographi-  
14                  cally secured distributed ledger on which such  
15                  digital asset is recorded (including the protocols  
16                  applicable to the operation of such ledger with  
17                  respect to such digital asset).

18                  “(B) SPECIAL RULE FOR WRAPPED DIG-  
19                  ITAL ASSETS.—In the case of any wrapped dig-  
20                  ital asset, except as otherwise provided by the  
21                  Secretary to prevent abuse, such asset shall be  
22                  treated as a tokenized digital asset if, and only  
23                  if, the reference digital asset with respect to  
24                  such wrapped digital asset is a tokenized digital  
25                  asset.

1           “(5) WRAPPED DIGITAL ASSET.—The term  
2           ‘wrapped digital asset’ means, except as otherwise  
3           provided by the Secretary to prevent abuse, any dig-  
4           ital asset if such asset—

5                   “(A) is redeemable on demand, on a one-  
6                   for-one basis, for another digital asset, and

7                   “(B) is recorded on a cryptographically se-  
8                   cured distributed ledger other than the cryp-  
9                   tographically secured distributed ledger on  
10                  which the digital asset referred to in subpara-  
11                  graph (A) is recorded.

12           “(6) REFERENCE DIGITAL ASSET.—

13                   “(A) IN GENERAL.—The term ‘reference  
14                   digital asset’ means, with respect to any  
15                   wrapped digital asset, the digital asset referred  
16                   to in paragraph (5)(A).

17                   “(B) SPECIAL RULE FOR REWRAPPINGS.—  
18                   If, but for this subparagraph, the reference dig-  
19                   ital asset with respect to any wrapped digital  
20                   asset would be a wrapped digital asset (here-  
21                   after referred to in this paragraph as the lower-  
22                   tier wrapped digital asset)—

23                           “(i) subparagraph (A) shall be applied  
24                           with respect to such lower-tier wrapped  
25                           digital asset, and

1           “(ii) the reference digital asset with  
2           respect to such lower-tier wrapped digital  
3           asset shall be treated as the reference dig-  
4           ital asset of such wrapped digital asset.

5           “(C) MULTIPLE WRAPPINGS.— If, after  
6           the application of subparagraph (B), the ref-  
7           erence digital asset with respect to the lower-  
8           tier wrapped digital asset is a wrapped digital  
9           asset, such subparagraph shall be reapplied by  
10          treating such lower-tier wrapped digital asset as  
11          the wrapped digital asset.

12          “(7) STABLECOIN.—

13                 “(A) QUALIFIED U.S. DOLLAR  
14                 STABLECOIN.—The term ‘qualified U.S. dollar  
15                 stablecoin’ means any U.S. dollar stablecoin the  
16                 issuer of which is—

17                         “(i) a permitted payment stablecoin  
18                         issuer (as defined in section 2(23) of the  
19                         GENIUS Act, as in effect on the date of  
20                         the enactment of this paragraph), or

21                         “(ii) a foreign payment stablecoin  
22                         issuer (as defined in section 2(12) of the  
23                         GENIUS Act, as so in effect) registered  
24                         with the Office of the Comptroller of the

1 Currency under the GENIUS Act (as so in  
2 effect).

3 “(B) U.S. DOLLAR STABLECOIN.—The  
4 term ‘U.S. dollar stablecoin’ means—

5 “(i) a payment stablecoin (as defined  
6 in section 2(22) of the GENIUS Act (as in  
7 effect on the date of the enactment of this  
8 paragraph), applied by substituting ‘dol-  
9 lars’ for ‘monetary value’ each place it ap-  
10 pears in such section), and

11 “(ii) to the extent provided by the  
12 Secretary to prevent abuse, any stablecoin  
13 similar to a payment stablecoin described  
14 in clause (i).

15 “(C) PUBLICATION OF LIST.—The Sec-  
16 retary shall, to the extent feasible, regularly  
17 publish a list of qualified U.S. dollar  
18 stablecoins.

19 “(D) LIMITED AUTHORITY TO TREAT  
20 STABLECOINS AS MONEY.—The Secretary may  
21 issue such regulations or other guidance as may  
22 be necessary or appropriate to (except as other-  
23 wise expressly provided in this title)—

24 “(i) treat qualified U.S. dollar  
25 stablecoins as dollars, and

1 “(ii) treat payment stablecoins (as de-  
2 fined in section 2(22) of the GENIUS Act,  
3 as in effect on the date of the enactment  
4 of this paragraph) other than qualified  
5 U.S. dollar stablecoins as currency if such  
6 treatment is expected to increase net Fed-  
7 eral revenues.

8 “(8) DIGITAL ASSET TRANSACTION.—The term  
9 ‘digital asset transaction’ means any transfer of a  
10 digital asset recorded on the cryptographically se-  
11 cured distributed ledger (or similar technology) re-  
12 ferred to in paragraph (1).

13 “(9) DIGITAL ASSET VALIDATION SUPPORTING  
14 ACTIVITIES.—The term ‘digital asset validation sup-  
15 porting activities’ means staking, mining, or, except  
16 as otherwise provided by the Secretary, similar ac-  
17 tivities in support of the validation of digital asset  
18 transactions.

19 “(10) VALIDATION.—The term ‘validate’, and  
20 any derivative of such term (including ‘validation’),  
21 when used in connection with a digital asset trans-  
22 action, includes the processes of proposing trans-  
23 actions for validation and verifying the validation of  
24 transactions.

1           “(11) STAKING.—The term ‘staking’, when  
2           used in connection with a digital asset, means—

3                   “(A) making such asset available in sup-  
4                   port of the validation of digital asset trans-  
5                   actions, and

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

8           “(12) 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 **SEC. 602. REGULATIONS.**

16           It is the sense of the Congress that the Secretary of  
17 the Treasury should strongly consider issuing (under the  
18 authority of section 7805 of the Internal Revenue Code  
19 of 1986, or other applicable provisions of such Code) regu-  
20 lations or other guidance to—

21                   (1) provide simplified methods for determining  
22                   basis in digital assets,

23                   (2) specify appropriate methods for determining  
24                   the fair market value of illiquid digital assets,

1           (3) provide for the appropriate application of  
2       section 954 of such Code with respect to digital as-  
3       sets, including digital assets which are also securities  
4       or commodities,

5           (4) provide for the appropriate application of  
6       subpart J of part III of subchapter N of chapter 1  
7       of such Code (relating to foreign currency trans-  
8       actions) to digital assets,

9           (5) clarify what constitutes the active conduct  
10      of a trade or business of validating digital asset  
11      transactions (or conducting staking, mining, or simi-  
12      lar activities in support of validating digital asset  
13      transactions),

14          (6) clarify the application of the provisions of  
15      such Code to a digital asset that is also a security  
16      or commodity,

17          (7) clarify the treatment of tokenized digital as-  
18      sets, and

19          (8) clarify the circumstances under which any  
20      of the following transactions constitute realization  
21      events: tokenization transactions, wrapping trans-  
22      actions, unwrapping transactions, forks, airdrops,  
23      and exchanges involving liquidity pool tokens or  
24      staking pool tokens.

1 **SEC. 603. RULES OF CONSTRUCTION.**

2 (a) NO INFERENCE WITH RESPECT TO APPLICATION  
3 OF OTHER PROVISIONS OF LAW.—Except as otherwise ex-  
4 pressly provided by this Act (or an amendment made by  
5 this Act) with respect to the application of one or more  
6 provisions of the Internal Revenue Code of 1986, nothing  
7 in this Act (or any amendment made by this Act) shall  
8 be construed to create an inference that a digital asset  
9 does or does not constitute a security, a commodity, debt,  
10 equity, stock, a partnership interest, or an interest in a  
11 trust, for purposes of any provision of law.

12 (b) NO INFERENCE WITH RESPECT TO PRIOR PERI-  
13 ODS.—No provision of this Act (or any amendment made  
14 by this Act) shall be construed to create any inference with  
15 respect to the proper application of any provision of the  
16 Internal Revenue Code of 1986 with respect to any period  
17 before the period to which such provision or amendment  
18 applies.

19 **TITLE VII—FULL HOUSE ACT**

20 **SEC. 701. REINSTATEMENT OF RULES FOR WAGERING**  
21 **LOSSES.**

22 (a) IN GENERAL.—Section 165(d) is amended to  
23 read as follows:

24 “(d) WAGERING LOSSES.—Losses from wagering  
25 transactions shall be allowed only to the extent of the  
26 gains from such transactions. For purposes of the pre-

1 ceding sentence, the term ‘losses from wagering trans-  
2 actions’ includes any deduction otherwise allowable under  
3 this chapter incurred in carrying on any wagering trans-  
4 action.”.

5 (b) EFFECTIVE DATE.—The amendment made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 2025.