Amendment in the Nature of a Substitute to H.R. 10357

Offered by Mr. Smith of Missouri

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) Short Title.—This Act may be cited as the "Digital Asset Tax Certainty Act".

(b) References.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) Table of Contents.—The table of contents for this Act is as follows:

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

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.

(a) IN GENERAL.—Part III of subchapter O of chapter 1 of subtitle A is amended by inserting after section 1043 the following new section:

"SEC. 1044. DE MINIMIS DIGITAL ASSET FEE EXCEPTION.

"(a) IN GENERAL.—No gain or loss shall be recognized on the disposition of a digital asset in payment of—

"(1) a de minimis network fee, or

"(2) a de minimis transaction fee.

"(b) DE MINIMIS NETWORK FEE.—For purposes of this section—

"(1) IN GENERAL.—The term 'de minimis network fee' means an amount paid or incurred in a digital asset transaction to validate another digital asset transaction if the aggregate amount so paid or incurred with respect to the validation of such other digital asset transaction does not exceed $10.

"(2) NETWORK FEE.—The term 'network fee' means any amount which would be a de minimis network fee if paragraph (1) were applied without regard to the dollar limitation specified therein.

"(c) DE MINIMIS TRANSACTION FEE.—For purposes of this section—

"(1) IN GENERAL.—The term 'de minimis transaction fee' means an amount (other than a network fee) paid or incurred as a brokerage fee, trading fee, liquidity fee, or similar fee, to facilitate a transfer of a digital asset (hereafter referred to as the 'underlying digital asset transfer') if—

"(A) the digital asset disposed of in payment of such fee is a digital asset of the same type as the type of digital asset disposed of or acquired by the taxpayer in the underlying digital asset transfer, and

"(B) the aggregate of such amounts with respect to such underlying digital asset transfer does not exceed $10.

"(2) TRANSACTION FEE.—The term 'transaction fee' means any amount which would be a de minimis transaction fee if paragraph (1) were applied without regard to the dollar limitation specified therein.

"(3) TYPE OF DIGITAL ASSET.—A type of digital asset shall be determined under rules similar to the rules of section 1051(b)(2).

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

"(e) TREATMENT OF UNRECOGNIZED GAIN OR LOSS.—The amount of any network fee or transaction fee that is taken into account in determining the amount of gain or loss on the disposition of any asset, in determining the amount of any deduction, or in determining the basis of any asset acquired, shall be reduced by the amount of any gain, or increased by the amount of any loss, not recognized by reason of subsection (a) with respect to the disposition of the digital asset used to pay such network fee or transaction fee.

"(f) EXCLUSIONS.—

"(1) TRADE OR BUSINESS.—

"(A) IN GENERAL.—Subsection (a) shall not apply to the disposition of a digital asset by—

"(i) a trader, broker, or dealer in digital assets,

"(ii) a person in the trade or business of batching or facilitating the validation of digital asset transactions on behalf of others,

"(iii) to the extent provided by the Secretary, any person in a trade or business which is substantially similar to a trade or business described in clause (i) or (ii), or

"(iv) any person that engaged in more than 5,000 transfers of digital assets during the preceding taxable year (determined without regard to any transfer made in payment of a de minimis network fee or a de minimis transaction fee).

"(B) ADMINISTRATIVE CONVENIENCE EXCEPTION.—

"(i) IN GENERAL.—Subparagraph (A) shall not apply to any taxpayer that demonstrates to the Secretary that such taxpayer is of a type with respect to which not applying subparagraph (A) will not result in a substantial Federal revenue loss.

"(ii) GUIDANCE.—The Secretary shall issue regulations or other guidance that—

"(I) identifies different types of taxpayers with respect to which not applying subparagraph (A) will not result in substantial Federal revenue loss, and

"(II) specifies with respect to each such type of taxpayer the information that such taxpayer must provide to make the demonstration described in clause (i).

"(iii) CERTAIN FACTORS REQUIRED TO BE TAKEN INTO ACCOUNT.—The regulations or other guidance issued by the Secretary under clause (ii) shall—

"(I) for purposes of determining the classification of types of taxpayers, and whether any Federal revenue loss from not applying subparagraph (A) with respect to any such type of taxpayer would be substantial, take into account the method or methods used by such type of taxpayer for selecting the digital assets used to pay network and transaction fees and the average holding period of such digital assets by such type of taxpayer, and

"(II) determine Federal revenue loss by reducing such loss by a reasonable approximation of the additional administrative costs of the Department of the Treasury, and the additional compliance costs of such type of taxpayer (and any person who would be required to make additional information return reporting with respect to such type of taxpayer), which would be imposed if subparagraph (A) were to apply to such type of taxpayer.

"(2) CERTAIN ACCOUNTING METHODS.—Subsection (a) shall not apply to any digital asset—

"(A) to which subsection (a), (e), (f), or (g) of section 475, section 1051(a), or section 1256(a) applies, or

"(B) except as otherwise provided by the Secretary, to which a mark-to-market method applies under any other provision of this subtitle.

"(g) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or guidance to prevent the abuse of this section through—

"(1) transaction structuring for the purpose of qualifying for the exclusion provided in subsection (a), and

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

"(A) in the case of a network fee, the validation of a digital asset transaction, or

"(B) in the case of a transaction fee, the brokerage, trading, liquidity, or similar digital asset transfer service.".

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

"Sec. 1044. De minimis digital asset fee exception.".

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

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

(a) IN GENERAL.—Part IV of subchapter O of chapter 1 of subtitle A is amended by inserting before section 1052 the following new section:

"SEC. 1051. ELECTION TO APPLY SIMPLIFIED ACCOUNTING FOR GAIN AND LOSS ON WIDELY TRADED DIGITAL ASSETS.

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

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

"(A) the sum of—

"(i) the aggregate amount realized by the taxpayer on sales or exchanges (including nonrecognition transactions) of widely traded digital assets of such designated type during such taxable year,

"(ii) in the case of dispositions (including nonrecognition transactions), other than sales or exchanges described in clause (i), of widely traded digital assets of such designated type, the fair market value of such widely traded digital assets (determined as of the time of such dispositions), and

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

"(B) the sum of—

"(i) the fair market value of consideration provided by the taxpayer for the acquisition of widely traded digital assets of such designated type during the taxable year (other than any portion of such acquisition to which clause (iii) applies),

"(ii) in the case of any disposition described in subparagraph (A)(ii), any amounts which would have reduced the amount realized by the taxpayer on such disposition if such disposition had been a sale or exchange,

"(iii) in the case of the acquisition of widely traded digital assets of such designated type during the taxable year the basis of which in the hands of the taxpayer is determined by reference to the basis of such assets in the hands of the transferor, the basis of such assets in the hands of the taxpayer immediately after such acquisition,

"(iv) in the case of any adjustment to the basis of a widely traded digital asset of such designated type (including adjustments under sections 734(b) and 743(b)), the net dollar amount (positive or negative) of any adjustment to basis of such widely traded digital asset, and

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

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

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

"(B) the amount described in paragraph (1)(A), and

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

"(b) DESIGNATED TYPE OF DIGITAL ASSET.—For purposes of this section—

"(1) IN GENERAL.—The term 'designated type of digital asset' means, with respect to any taxpayer for any taxable year, any type of widely traded digital asset (other than any qualified U.S. dollar stablecoin) with respect to which such taxpayer elects the application of this section for such taxable year.

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

"(A) such assets are fungible, or

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

"(3) POOL TOKEN ASSETS.—

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

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

"(ii) the taxpayer and such persons do not have control or effective management of the composition of the assets to which the value of such tokens is attributable, including in a manner similar to a manager, sponsor, director, shareholder, general partner, commonly controlled affiliate, or other similar role.

"(B) QUALIFIED POOL TOKEN ASSET.—For purposes of this subsection, the term 'qualified pool token asset' means any type of digital asset (determined under paragraph (2) by substituting 'digital assets' for 'widely traded digital assets') for any taxable year if—

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

"(I) substantially all of the value of such type of digital asset is attributable to widely traded digital assets (determined after the application of subparagraph (A)), and

"(II) such type of digital asset is redeemable on demand for a proportionate share of the assets to which the value of such digital asset is attributable, and

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

"(C) PREVENTION OF DOUBLE COUNTING.—In the case of any designated type of qualified pool token assets with respect to any taxpayer, such taxpayer shall not recognize gain or loss with respect to the particular assets to which the value of such designated type of qualified pool token assets is attributable.

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

"(d) TREATMENT OF LENDING TRANSACTIONS.—

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

"(2) OTHER LENDING TRANSACTIONS.—In the case of any loan of widely traded digital assets which is not described in paragraph (1), except as otherwise provided by the Secretary, such assets shall be treated for purposes of this section as continuing to be held by the lender.

"(e) ELECTION.—

"(1) APPLICATION OF ELECTION.—

"(A) IN GENERAL.—An election under this section with respect to any designated type of digital asset shall apply to the first taxable year which begins after the date on which the taxpayer makes such election and to each taxable year thereafter unless revoked as provided in paragraph (5).

"(B) APPLICATION TO CURRENT TAXABLE YEAR.—If the taxpayer has not held any unit of a designated type of digital asset at any time during the 2-year period ending on the date on which the taxpayer makes the election described in subparagraph (A) with respect to such designated type of digital asset, such taxpayer may elect to apply subparagraph (A) by substituting 'the taxable year in which' for 'the first taxable year which begins after the date on which'.

"(2) PARTNERSHIPS AND S CORPORATIONS.—In the case of any partnership or S corporation, the election under this section shall be made at the partnership or S corporation level.

"(3) EXCLUSION OF DEALERS ELIGIBLE TO MAKE MARK-TO-MARKET ELECTION.—A dealer that is eligible to make an election under section 475(g) with respect to any taxable year may not make an election under this section with respect to such taxable year.

"(4) EXCLUSION OF TRADERS WITH A MARK-TO-MARKET ELECTION IN EFFECT.—A trader which has an election in effect under section 475(f)(3) with respect to any taxable year may not make an election under this section with respect to such taxable year.

"(5) REVOCATION.—

"(A) IN GENERAL.—A taxpayer may revoke an election under this section with respect to a taxable year which—

"(i) has not begun as of the date on which such taxpayer requests such revocation, and

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

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

"(C) 5-YEAR WAITING PERIOD.—In the case of any revocation under this paragraph with respect to any designated type of digital asset, the taxpayer may not make an election under this section with respect to such designated type if such election would apply to any of the first 5 taxable years to which such revocation applies.

"(D) SPECIAL RULE FOR TRADERS MAKING MARK-TO-MARKET ELECTION.—If a taxpayer has in effect one or more elections under this section and such taxpayer makes the election under section 475(f)(3) with respect to any taxable year, the taxpayer shall (notwithstanding subparagraph (A)) be treated as revoking all such elections under this section beginning with such taxable year.

"(f) SPECIAL RULES RELATED TO ELECTION, REVOCATION, AND CERTAIN TRANSFERS.—

"(1) TREATMENT OF ASSETS UPON ELECTION.—In the case of an election under this section, with respect to any designated type of digital asset, any widely traded digital assets of such designated type held by the taxpayer shall be treated as sold for fair market value on the last day of the taxable year preceding the first taxable year to which such election applies.

"(2) ADJUSTMENTS UPON REVOCATION.—In the case of a revocation of an election under this section, proper adjustments shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under subsection (a).

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

"(g) SPECIAL RULES RELATED TO PARTNERSHIPS.—

"(1) SALE OR EXCHANGE OF INTEREST IN PARTNERSHIP.—The amount of any money, or the fair market value of any property, received by a transferor partner in exchange for all or a part of such partner's interest in the partnership attributable to a designated type of digital asset of the partnership shall be considered as an amount realized from the sale or exchange of a capital asset held for less than 1 year (under rules similar to the rules that apply for purposes of section 751(a)), by treating such designated type of digital asset in the same manner as an unrealized receivable.

"(2) CERTAIN DISTRIBUTIONS TREATED AS SALES OR EXCHANGES.—In the case of any designated type of digital asset of a partnership, rules similar to the rules of section 751(b) shall apply by treating such designated type of digital asset in the same manner as an unrealized receivable and by treating any resulting gain or loss as short-term capital gain or short-term capital loss.

"(3) ALLOCATIONS OF BASIS.—For purposes of any allocation of basis to a designated type of digital asset of a partnership, rules similar to the rules for allocating basis to unrealized receivables (including sections 755 and 732(c)) shall apply except that proper adjustments shall be made to treat the designated type of digital asset as a capital asset held for less than 1 year.

"(4) CERTAIN CONTRIBUTIONS TO PARTNERSHIP.—

"(A) IN GENERAL.—Except to the extent otherwise provided by the Secretary, in the case of a contribution of any widely traded digital asset to a partnership by a partner in a contribution to which section 721 applies in a taxable year of the partnership for which such widely traded digital asset is a designated type of digital asset with respect to such partnership, any gain or loss recognized by the partnership under this section with respect to such designated type of widely traded digital asset shall be allocated to the contributing partner to the extent of the built-in gain or built-in loss (as the case may be) of the widely traded digital asset so contributed.

"(B) BUILT-IN GAIN.—For purposes of this paragraph, the term 'built-in gain' means the excess (if any) of the fair market value of the property at the time of contribution over the adjusted basis of such property (in the hands of the partner) at such time.

"(C) BUILT-IN LOSS.—For purposes of this paragraph, the term 'built-in loss' means the excess (if any) of the adjusted basis of the property (in the hands of the partner) at the time of contribution over the fair market value of such property at such time.

"(h) COORDINATION WITH CERTAIN OTHER PROVISIONS.—

"(1) DETERMINED WITHOUT REGARD TO WASH AND CONSTRUCTIVE SALE RULES.—Sections 1091 and 1259 shall not apply to any transaction with respect to which gain or loss is not recognized by reason of subsection (a)(3).

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

"(i) CLARIFICATION THAT CERTAIN TRANSFERS ARE TREATED AS DISPOSITIONS.—The following shall not fail to be treated as a disposition for purposes of this section:

"(1) The distribution of any digital asset from a trust to a beneficiary.

"(2) The transfer of any digital asset from a decedent (whether or not incident to the decedent's death).

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

"(1) the form and manner of making an election or revocation under this section, "(2) adjustments necessary by reason of such election or revocation (including adjustments to basis of widely traded digital assets of a designated type),

"(3) adjustments to reporting requirements relating to widely traded digital assets with respect to which an election is in effect under this section,

"(4) the treatment of a derivative of a designated type of digital asset, and

"(5) preventing abuse of this section.".

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

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

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

SEC. 103. TREATMENT OF U.S. DOLLAR STABLECOIN TRANSACTIONS.

(a) IN GENERAL.—Part IV of subchapter O of chapter 1 of subtitle A is amended by redesignating section 1063 as section 1064 and by inserting after section 1062 the following new section:

"SEC. 1063. CERTAIN U.S. DOLLAR STABLECOIN TRANSACTIONS.

"(a) TREATMENT OF ACQUISITIONS OF U.S. DOLLAR STABLECOINS.—

"(1) DETERMINATION OF BASIS.—The basis of any qualified U.S. dollar stablecoin acquired by a taxpayer in any sale or exchange shall be the redemption value of such stablecoin. The preceding sentence shall not apply if it is unreasonable under the facts and circumstances to conclude that the value of the consideration provided for such stablecoin in such sale or exchange is not less than 99.5 percent of such redemption value.

"(2) TREATMENT OF CONSIDERATION PROVIDED IN EXCHANGE.—For purposes of this title, in the case of any consideration other than money provided in exchange for a qualified U.S. dollar stablecoin, the income, gain, or loss resulting from the provision of such consideration shall be determined by treating the value of such qualified U.S. dollar stablecoin as being equal to the redemption value of such stablecoin. The preceding sentence shall not apply if it is unreasonable under the facts and circumstances to conclude that the value of such stablecoin is not less than 99.5 percent, and not more than 100.5 percent, of such redemption value.

"(b) TREATMENT OF SALE OR EXCHANGE OF QUALIFIED U.S. DOLLAR STABLECOINS.—

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

"(2) TREATMENT OF CONSIDERATION RECEIVED IN EXCHANGE.—For purposes of this title, in the case of any consideration other than money received in exchange for a qualified U.S. dollar stablecoin, the cost of (and amount paid or incurred for) such consideration shall be determined by treating the value of such qualified U.S. dollar stablecoin as being equal to the redemption value of such stablecoin. The preceding sentence shall not apply if it is unreasonable under the facts and circumstances to conclude that the value of such stablecoin is not less than 99.5 percent, and not more than 100.5 percent, of such redemption value.

"(c) EXCEPTIONS.—

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

"(A) a trader, broker, or dealer in qualified U.S. dollar stablecoins,

"(B) to the extent provided by the Secretary, any person in a trade or business which is substantially similar to a trade or business described in subparagraph (A), or

"(C) any other person who in the preceding taxable year engaged in more than 5,000 transactions to which subsection (a) or (b) applied, determined without regard to—

"(i) any such transaction which is with respect to a trade or business (other than a trade or business described in subparagraph (A) or (B)), including the acceptance of qualified U.S. dollar stablecoins at redemption value as a payment for goods or services in such trade or business and the use of qualified U.S. dollar stablecoins at redemption value to acquire goods and services for use in such trade or business, and

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

"(2) FUNCTIONAL CURRENCY OTHER THAN THE DOLLAR.—Subsections (a) and (b) shall not apply to any taxpayer or qualified business unit (as defined in section 989(a)) that uses a functional currency other than the dollar.

"(3) RELATED PARTIES.—In the case of any sale or exchange between persons described in section 267(b) (applied without regard to section 267(c)(3)) or section 707(b)(1)—

"(A) subsections (a)(1), (a)(2), and (b)(2) shall be applied by substituting '100 percent' for '99.5 percent', and

"(B) subsections (a)(2), (b)(1), and (b)(2) shall be applied by substituting '100 percent' for '100.5 percent'.

"(d) REDEMPTION VALUE.—For purposes of this section, the term 'redemption value' means, with respect to a qualified U.S. dollar stablecoin, the dollar amount for which the issuer is obligated to convert, redeem, or repurchase such stablecoin.

"(e) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance—

"(1) describing the factors considered, and documentation or substantiation required, with respect to the facts and circumstances tests described in subsections (a)(1), (a)(2), (b)(1), and (b)(2),

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

"(3) to prevent abuse of this section.".

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

"Sec. 1063. Certain U.S. dollar stablecoin transactions.".

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

(d) TRANSITION RULES.—The Secretary of the Treasury, or the Secretary's delegate, shall, consistent with the purposes of section 1063 of the Internal Revenue Code of 1986, provide temporary rules for taxpayers addressing periods prior to the issuance of final regulations or guidance under section 1063(e) of such Code.

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

SEC. 201. TRANSFERS OF TRADED DIGITAL ASSETS PURSUANT TO A LENDING AGREEMENT.

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

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

“(d) SPECIFIED ASSETS.—For purposes of this section, the term ‘specified assets’ means—

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

“(2) traded digital assets.”.

(c) TREATMENT OF CERTAIN LEGAL ENTITLEMENTS AND OBLIGATIONS WHICH ACCRUE DURING PERIOD OF AGREEMENT.—Section 1058(b)(2), as amended by subsection (a), is amended—

(1) by striking ‘‘require that payments’’ and inserting ‘‘require that—

‘‘(A) payments’’,

(2) by inserting ‘‘and’’ after ‘‘transferor;’’, and

(3) by adding at the end the following new subparagraph:

‘‘(B) in the case of any transfer of traded digital assets—

‘‘(i) payments shall be made to the transferor of amounts equivalent to, except as otherwise provided by the Secretary, all property and other legal entitlements which the owner of the traded digital assets is entitled to receive during the period described in subparagraph (A), and

‘‘(ii) the transferor shall assume all obligations imposed on the owner of such traded digital assets during the period described in subparagraph (A);’’.

(d) CONFORMING AMENDMENTS.—

(1) Section 1058(a) is amended by striking ‘‘(as defined in section 1236(c))’’.

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

amended by striking ‘‘securities’’ and inserting ‘‘specified assets’’.

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

SEC. 202. DEALERS AND TRADERS OF WIDELY TRADED DIGITAL ASSETS.

(a) IN GENERAL.—Section 475 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

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

‘‘(1) IN GENERAL.—In the case of a dealer in covered digital assets who elects the application of this subsection, this section shall apply to covered digital assets held by such dealer in the same manner as this section applies to securities held by a dealer in securities.

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

‘‘(A) any specified traded digital asset,

‘‘(B) any notional principal contract with respect to any specified traded digital asset, "(C) any evidence of an interest in, or a derivative instrument in, any digital asset described in subparagraph (A) or (B), including any option, forward contract, futures contract, short position, and any similar instrument in such a digital asset, and

"(D) any position which—

"(i) is not a covered digital asset described in subparagraph (A), (B), or (C),

"(ii) is a hedge with respect to such a covered digital asset, and

"(iii) is clearly identified in the taxpayer's records as being described in this subparagraph before the close of the day on which it was acquired or entered into (or such other time as the Secretary may by regulations prescribe).

"(3) SPECIFIED TRADED DIGITAL ASSET.—For purposes of paragraph (2)—

"(A) IN GENERAL.—The term 'specified traded digital asset' means—

"(i) any widely traded digital asset,

"(ii) any qualified U.S. dollar stablecoin, "(iii) any qualified pool token asset (as defined in section 1051(b)(3)(B)),

"(iv) any traded digital asset which—

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

"(II) has an average daily trading volume, determined on the basis of business days during the calendar year that ends in or with the preceding taxable year, that exceeds $5,000,000, or

"(v) any traded digital asset which—

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

"(II) constitutes the principal asset held by an entity that is not registered under the Investment Company Act of 1940 and the securities of which are listed and traded on a national securities exchange registered under section 6 of the Securities and Exchange Act of 1934.

"(B) LIMITED CONTINUED TREATMENT.—In the case of any taxpayer for any taxable year, the term 'specified traded digital asset' also includes any traded digital asset that would be a widely traded digital asset but for the requirement of clause (ii) of section 7701(p)(3)(A) if, with respect to one or more of the 3 preceding taxable years—

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

"(ii) the taxpayer had an election in effect under this subsection that applied to such taxable year and each intervening taxable year, and

"(iii) the taxpayer held specified traded digital assets of such type (determined under rules similar to the rules of section 1051(b)(2)), or covered digital assets described in subparagraph (B), (C), or (D) of paragraph (2) with respect to such type of specified traded digital asset, to which paragraph (1) applied for such taxable year.

"(4) ELECTION.—An election under this subsection may be made without the consent of the Secretary. Such an election, once made, shall apply to the taxable year for which made and all subsequent taxable years unless revoked with the consent of the Secretary.".

(b) APPLICATION OF MARK TO MARKET RULES TO COVERED DIGITAL ASSETS.—Section 475(f) is amended—

(1) in the heading, by striking "OR COMMODITIES" and inserting ", COMMODITIES, OR COVERED DIGITAL ASSETS",

(2) by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(3) TRADERS IN COVERED DIGITAL ASSETS.—In the case of a person who is engaged in a trade or business as a trader in covered digital assets and who elects to have this paragraph apply to such trade or business, paragraph (1) shall apply to covered digital assets held by such trader in connection with such trade or business in the same manner as paragraph (1) applies to securities held by a trader in securities.'', and

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

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

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

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

''(5) ADJUSTMENTS ATTRIBUTABLE TO MARK TO MARKET TREATMENT OF SECURITIES, COMMODITIES, OR COVERED DIGITAL ASSETS.—In the case of an adjustment described in section 481(a) by reason of the taxpayer's change to, or from, a method of accounting provided in subsection (a), (e), (f), or (g) of this section, the character of any income or loss with respect to any property as a result of such adjustment shall be the same as the character of the gain or loss which would have resulted from the sale of such property as of the close of the taxable year preceding the year of the change (within the meaning of section 481) under the method of accounting used for such preceding taxable year.''.

(e) TREATMENT AS SPECIFIED SERVICE TRADE OR BUSINESS.—Section 199A(d)(2)(B) is amended by striking ''or commodities (as defined in section 475(e)(2))'' and inserting ''commodities (as defined in section 475(e)(2)), traded digital assets, or covered digital assets (as defined in section 475(g)(2))''.

(f) CONFORMING AMENDMENTS.—

(1) Section 475(e)(2) is amended by striking ''this subsection and subsection (f)'' and inserting ''this section''.

(2) The heading of section 475 is amended by striking ''**DEALERS IN SECURITIES**'' and inserting ''**CERTAIN DEALERS AND TRADERS**''.

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

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

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

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

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

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

(2) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of such Code by reason of such subsection shall be taken into account ratably over the 4-taxable year period beginning with such taxable year.

(i) TRANSITIONAL COORDINATION WITH WASH SALE RULES.—

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

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

(3) BUILT-IN-GAIN SECURITY.—For purposes of this subsection, the term "built-in-gain security" means any security if (as of the time of the identification referred to in paragraph (1)) the fair market value of such security exceeds the adjusted basis of such security.

(j) AUTHORITY TO PROVIDE ADDITIONAL TRANSITION RULES.—The Secretary of the Treasury, or the Secretary's delegate, may issue such regulations or other guidance as may be necessary or appropriate to provide additional transitional rules with respect to taxpayers that make the election under subsection (f)(3) or (g) of section 475 of the Internal Revenue Code of 1986 (as added by this section) for the taxpayer's first taxable year beginning after the date of the enactment of this Act and before January 1, 2028, including regulations or other guidance to provide for simplified adjustments in the case of such an election which will apply to digital assets to which an election under section 475(e) of such Code applied for the preceding taxable year.

SEC. 203. DIGITAL ASSET TRADING SAFE HARBOR.

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

(1) in the heading, by striking "OR COMMODITIES" and inserting "COMMODITIES, OR TRADED DIGITAL ASSETS",

(2) by redesignating subparagraph (C) as subparagraph (D) and by inserting the following new subparagraph after subparagraph (B):

"(C) TRADED DIGITAL ASSETS.—

"(i) IN GENERAL.—Trading in traded digital assets through a resident broker, commission agent, custodian, staking service provider, or other independent agent.

"(ii) TRADING FOR TAXPAYER'S OWN ACCOUNT.—Trading in traded digital assets for the taxpayer's own account, whether by the taxpayer or his employees or through a resident broker, commission agent, custodian, staking service provider, or other agent, and whether or not any such employee or agent has discretionary authority to make decisions in effecting the transactions. This clause shall not apply in the case of a dealer in digital assets.

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

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

(A) by striking "and (B)(i)" and inserting ", (B)(i), and (C)(i)", and

(B) by striking "or in commodities" and inserting "in commodities, or in traded digital assets".

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

SEC. 204. CHARITABLE CONTRIBUTIONS OF CERTAIN DIGITAL ASSETS.

(a) EXCEPTION FROM APPRAISAL REQUIREMENT FOR QUALIFIED U.S. DOLLAR STABLECOINS AND WIDELY TRADED DIGITAL ASSETS.—Section 170(f)(11)(A)(ii)(I) is amended by inserting "qualified U.S. dollar stablecoins, widely traded digital assets (except as the Secretary determines appropriate to prevent abuse of this section)," after "publicly traded securities (as defined in section 6050L(a)(2)(B)),".

(b) CHARITABLE CONTRIBUTIONS OF DIGITAL ASSETS OTHER THAN QUALIFIED U.S. DOLLAR STABLECOINS, WIDELY TRADED DIGITAL ASSETS, AND TOKENIZED DIGITAL ASSETS.—

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

"(20) CONTRIBUTIONS OF CONVERSION ELIGIBLE DIGITAL ASSETS.—

"(A) IN GENERAL.—No deduction shall be allowed under subsection (a) for any contribution of a conversion eligible digital asset (as defined in section 1046(d)).

"(B) CROSS REFERENCE.—For nonrecognition of gain on certain sales and exchanges of conversion eligible digital assets the proceeds of which are used to make charitable contributions, see section 1046.".

(2) NONRECOGNITION OF GAIN ON DISPOSITIONS OF CONVERSION ELIGIBLE DIGITAL ASSETS USED TO FUND CHARITABLE CONTRIBUTIONS.—Part III of subchapter O of chapter 1 is amended by adding at the end the following new section:

"SEC. 1046. CERTAIN DISPOSITIONS OF CONVERSION ELIGIBLE DIGITAL ASSETS USED TO FUND CHARITABLE CONTRIBUTIONS.

"(a) IN GENERAL.—No gain shall be recognized on the sale of conversion eligible digital assets (or the exchange of conversion eligible digital assets for qualified U.S. dollar stablecoins) if all of the gross receipts of such sale (or all of the qualified U.S. dollar stablecoins received in such exchange) are contributed by the taxpayer as a charitable contribution (as defined in section 170(c)) not later than the earlier of—

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

"(2) the close of the taxpayer's taxable year which includes the date of such sale or exchange.

"(b) CONTRIBUTIONS OF LESS THAN ENTIRE PROCEEDS.—Except as otherwise provided by the Secretary, if less than all of the gross receipts of a sale described in subsection (a) (or less than all the qualified U.S. dollar stablecoins received in an exchange so described) are contributed as described in subsection (a), so much of the gain on such sale (or exchange) as bears the same ratio to such entire gain as the amount so contributed bears to all of such gross receipts (or all such U.S. dollar stablecoins) shall not be recognized.

"(c) APPLICATION OF CERTAIN LIMITATIONS ON DEDUCTION FOR CHARITABLE CONTRIBUTIONS.—In the case of any charitable contribution described in subsection (a) or (b)—

"(1) IN GENERAL.—For purposes of subsections (b)(1)(G), (b)(1)(I), and (p) of section 170, such contribution shall not be treated as a contribution of cash.

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

"(A) in the case of a sale or exchange referred to in subsection (a), the conversion eligible digital assets so sold or exchanged, and

"(B) in the case of a sale or exchange referred to in subsection (b), the portion of the conversion eligible digital assets so sold or exchanged that bears the same ratio to such assets as the gain not recognized under subsection (b) bears to the entire gain referred to in such subsection.

"(d) CONVERSION ELIGIBLE DIGITAL ASSETS.—For purposes of this section, the term 'conversion eligible digital asset' means any digital asset other than—

"(1) a qualified U.S. dollar stablecoin,

"(2) a widely traded digital asset to which section 170(f)(11)(A)(ii)(I) applies, and

"(3) a tokenized digital asset.

"(e) RELATED PARTY TRANSACTIONS.—This section shall not apply to any sale or exchange between persons described in section 267(b) (applied without regard to section 267(c)(3)) or section 707(b)(1).".

(3) CLERICAL AMENDMENT.—The table of sections for part III of subchapter O of chapter 1 is amended by adding at the end the following new item:

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

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

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

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

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

(1) by striking "stock or securities" each place it appears and inserting "specified assets", and

(2) by striking "shares of" each place it appears.

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

"(g) SPECIFIED ASSET.—For purposes of this section—

"(1) IN GENERAL.—The term 'specified asset' means—

"(A) any stock or security, and

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

"(2) CONTRACTS AND OPTIONS.—Except as otherwise provided in regulations, the term 'specified asset' includes any contract or option to acquire or sell any specified asset described in paragraph (1).

"(3) TREATMENT OF TOKENIZED DIGITAL ASSETS AS SUBSTANTIALLY IDENTICAL TO AN ECONOMICALLY EQUIVALENT STOCK OR SECURITY.—A tokenized digital asset (and a wrapped digital asset with respect to which the reference digital asset is a traded digital asset) shall be treated as substantially identical to any stock, security, or traded digital asset if such tokenized digital asset (or such wrapped digital asset) is economically equivalent to such stock, security, or traded digital asset.

"(4) FUNCTIONAL CURRENCY OTHER THAN THE DOLLAR.—In the case of any taxpayer or qualified business unit (as defined in section 989(a)), a qualified U.S. dollar stablecoin shall not be treated as a qualified U.S. dollar stablecoin for purposes of paragraph (1)(B) if such taxpayer or qualified business unit uses a functional currency other than the dollar.".

(c) EXCEPTION FOR CERTAIN ACQUISITIONS OF DIGITAL ASSETS.—Section 1091, as amended by subsection (b), is amended by adding at the end the following new subsection:

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

"(1) in connection with the validation of digital asset transactions (including digital asset validation supporting activities), or

"(2) in a transaction which is part of a regular or periodic series of acquisitions of traded digital assets which are included by the taxpayer as ordinary income.".

(d) CONFORMING AMENDMENTS.—

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

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

"(e) CERTAIN SHORT SALES OF SPECIFIED ASSETS AND SPECIFIED ASSET FUTURES CONTRACTS TO SELL.—Rules similar to the rules of subsection (a) shall apply to any loss realized on the closing of a short sale of (or the sale, exchange, or termination of a specified asset futures contract to sell) specified assets if, within a period beginning 30 days before the date of such closing and ending 30 days after such date—

"(1) substantially identical specified assets were sold, or

"(2) another short sale of (or specified asset futures contracts to sell) substantially identical specified assets was entered into.

For purposes of this subsection, the term "specified asset futures contract" has the meaning provided by section 1234B(c).".

(3) The heading of section 1091 is amended by striking "**STOCK OR SECURITIES**" and inserting "**SPECIFIED ASSETS**".

(4) The headings of subsections (b), (c), and (d) of section 1091 are each amended by striking "STOCK" each place it appears and inserting "SPECIFIED ASSETS".

(5) The item relating to section 1091 in the table of sections for part VII of subchapter O of chapter 1 is amended by striking "stock or securities" and inserting "specified assets".

(6) Section 312(f)(1) is amended by striking "stock or securities" and inserting "specified assets".

(7) Section 1256(f)(5) is amended by striking "stock or securities" and inserting "specified assets".

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

(A) by striking "stock or securities" and inserting "specified assets", and

(B) by striking "identical securities" and inserting "identical specified assets".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to dispositions after September 14, 2026.

(f) TRANSITION RULE RELATING TO BROKER REPORTING.—For purposes of section 6045 of the Internal Revenue Code of 1986, in the case of the sale or other disposition before January 1, 2028, of a traded digital asset to which section 1091 would not have applied but for the amendments made by this section, the customer's adjusted basis may be determined without regard to section 1091 of such Code.

SEC. 302. APPLICATION OF CONSTRUCTIVE SALE RULES TO DIGITAL ASSETS.

(a) IN GENERAL.—Section 1259(b)(1) is amended by inserting ", digital asset (other than a qualified U.S. dollar stablecoin)" after "debt instrument".

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

(c) TREATMENT OF TOKENIZED DIGITAL ASSETS AS SUBSTANTIALLY IDENTICAL TO ECONOMICALLY EQUIVALENT FINANCIAL PROPERTY.—Section 1259(c) is amended by adding at the end the following new paragraph:

"(5) TREATMENT OF TOKENIZED DIGITAL ASSETS AS SUBSTANTIALLY IDENTICAL TO ECONOMICALLY EQUIVALENT FINANCIAL PROPERTY.—A tokenized digital asset shall be treated as substantially identical to any stock, debt instrument, or partnership interest if such tokenized digital asset is economically equivalent to such stock, debt instrument, or partnership interest.".

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

"(4) QUALIFIED U.S. DOLLAR STABLECOINS AND FUNCTIONAL CURRENCY OTHER THAN THE DOLLAR.—In the case of any taxpayer or qualified business unit (as defined in section 989(a)), a qualified U.S. dollar stablecoin (determined without regard to this paragraph) shall not be treated as a qualified U.S. dollar stablecoin for purposes of this section if such taxpayer or qualified business unit uses a functional currency other than the dollar.".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to constructive sales after September 14, 2026.

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

(a) IN GENERAL.—Section 954(c)(1)(B) is amended—

(1) by striking ‘‘or’’ at the end of clause (ii),

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

(3) by inserting after clause (ii) the following new clause:

‘‘(iii) which is a digital asset, or’’.

(b) CERTAIN PASSIVE DIGITAL ASSET VALIDATION SUPPORTING INCOME.—Section 954(c)(1) is amended by adding at the end the following new subparagraphs:

‘‘(I) CERTAIN PASSIVE DIGITAL ASSET VALIDATION SUPPORTING INCOME.—Income derived from staking, mining, or similar activities in support of the validation of digital asset transactions, unless—

‘‘(i) such income is derived in the active conduct of a trade or business of validating such transactions, "(ii) substantially all of the controlled foreign corporation's digital assets are related to such trade or business, and

"(iii) substantially all of the activities of such trade or business occur in the same country as the country in which such corporation is created or organized (or in the case of a qualified business unit described in section 989(a), is attributable to activities of the unit in the country in which the unit both maintains its principal office and conducts substantial business activity).

"(J) CERTAIN PAYMENTS PURSUANT TO DIGITAL ASSET LENDING AGREEMENTS.—In the case of an agreement described in section 1058(a) pursuant to which traded digital assets are transferred, any payment made pursuant to such agreement other than any payment described in section 1058(b)(1).".

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

(1) in clause (i)—

(A) by striking "or (G)" and inserting "(G), or (I)", and

(B) by striking "and" at the end,

(2) by striking the period at the end of clause (ii) and inserting ", and", and

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

"(iii) if such dealer is a dealer in covered digital assets (within the meaning of section 475), any interest or dividend (or equivalent amount described in subparagraph (E) or (G) of paragraph (1)) or income described in paragraph (1)(I), from any transaction (including any hedging transaction) entered into in the ordinary course of such dealer's trade or business as such a dealer in covered digital assets, but only if the income from the transaction is attributable to activities of the dealer in the country under the laws of which the dealer is created or organized (or in the case of a qualified business unit described in section 989(a), is attributable to activities of the unit in the country in which the unit both maintains its principal office and conducts substantial business activity).".

(d) REGULATIONS.—The Secretary of the Treasury shall, not later than 12 months after the date of the enactment of this Act, issue such regulations or other guidance (under the authority granted to such Secretary under section 7805 of the Internal Revenue Code of 1986) to clarify the appropriate tax treatment of certain foreign entities (and United States persons related to such entities or involved in the governance of such entities) established in connection with organizations commonly referred to as decentralized autonomous organizations, which are established in a foreign country as a foundation under foreign law (or other similar structure with a purported purpose other than profit), including—

(1) clarifying the methods by which such foreign entities may reorganize as domestic corporations under subchapter C of chapter 1 of such Code, and

(2) providing, in appropriate circumstances, temporary safe harbors to encourage such foreign entities (which were organized before September 14, 2026) to complete such reorganizations promptly after the enactment of this Act.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations ending after the date of the enactment of this Act.

SEC. 304. RULES RELATED TO POSSESSIONS FOR DETERMINING SOURCE OF GAIN OR LOSS ON DISPOSITION OF TRADED DIGITAL ASSETS.

(a) REPORTING REQUIREMENT.—Section 937(c) is amended by adding at the end the following new paragraph:

"(3) SPECIAL RULES FOR TRADED DIGITAL ASSETS.—

"(A) IN GENERAL.—If an individual required to file a specified notice under paragraph (1) is a specified possession resident individual (as defined in subsection (d)(3)) for the taxable year to which such notice relates, such notice shall include the fair market value and basis of each traded digital asset property held by the taxpayer as of the close of the preceding taxable year.

"(B) DE MINIMIS EXCEPTION.—Subparagraphs (A) and (E) shall not apply if the aggregate fair market value of traded digital asset property which would (but for this subparagraph) be required to be included in a notice under such subparagraph (A) or (E), as the case may be, does not exceed $10,000.

"(C) SPECIFIED NOTICE.—For purposes of this paragraph, the term 'specified notice' means a notice required under paragraph (1) by reason of the individual taking the position for United States income tax reporting purposes that the individual became a bona fide resident of a possession specified in subsection (a)(1).

"(D) TRADED DIGITAL ASSET PROPERTY.—For purposes of this paragraph, the term 'traded digital asset property' has the meaning given such term in subsection (d)(5).

"(E) TRANSITION RULE.—In the case of an individual who was required to file a specified notice under paragraph (1) with respect to one of the 9 taxable years immediately preceding the first taxable year of the taxpayer beginning after December 31, 2026, and who was a specified possession resident individual (as defined in subsection (d)(3)) for such taxable year, such individual shall file a notice with the Secretary stating the fair market value and basis (determined as of the last day of the taxable year preceding the taxable year to which such notice relates) of each traded digital asset property (as defined in subsection (d)(5)) that was held by the taxpayer both on such last day and on January 1, 2027. The notice required under the preceding sentence shall be filed with the Secretary not later than the earlier of—

"(i) the due date of the taxpayer's return of tax for the taxpayer's first taxable year beginning after December 31, 2026, during which the taxpayer disposes of any traded digital asset property with respect to which information is required to be included in such notice, and

"(ii) such date as the Secretary may specify under subsection (d)(6)(B)(i).".

(b) SPECIAL RULES FOR DETERMINING SOURCE.—Section 937 is amended by adding at the end the following new subsection:

"(d) SPECIAL RULES FOR TRADED DIGITAL ASSETS.—

"(1) IN GENERAL.—Notwithstanding subsection (b)(1) (and except as provided in subsection (b)(2)), in the case of any specified possession resident individual for any taxable year, any gain recognized (directly or indirectly) on the disposition of traded digital asset property during such taxable year—

"(A) shall, except as provided in subparagraph (B), be treated as gain from sources within the United States, and

"(B) shall be treated as gain from sources within the relevant possession (and not from sources within the United States) to the extent that the taxpayer—

"(i) timely provided the information specified in subsection (c)(3) to the Secretary with respect to such property, and

"(ii) demonstrates to the satisfaction of the Secretary that such gain is properly attributable to the increase in the value of such property during periods that such individual was a bona fide resident of such possession.

"(2) ELECTION FOR WIDELY TRADED DIGITAL ASSETS.—

"(A) IN GENERAL.—In the case of any electing individual—

"(i) such individual shall recognize gain on any widely traded digital assets held by such individual as of the close of the taxable year preceding the taxable year described in subparagraph (B) as if such assets were sold for their fair market value as of such time, "(ii) proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain taken into account under clause (i), and

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

"(B) ELECTING INDIVIDUAL.—For purposes of this paragraph, the term 'electing individual' means any specified possession resident individual who elects (in such manner as the Secretary may provide) the application of this paragraph not later than the due date for the return of tax for the taxable year for which such individual first becomes a bona fide resident of the relevant possession.

"(3) SPECIFIED POSSESSION RESIDENT INDIVIDUAL.—For purposes of this subsection, the term 'specified possession resident individual' means, with respect to any taxable year, any citizen of the United States who—

"(A) is a bona fide resident of Guam, American Samoa, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands for such taxable year, and

"(B) was a resident of the United States at any time during the preceding 10 taxable years.

"(4) RELEVANT POSSESSION.—For purposes of this subsection, the term 'relevant possession' means, with respect to any specified possession resident individual for any taxable year, the possession referred to in paragraph (3)(A) with respect to which such individual is a bona fide resident for such taxable year.

"(5) TRADED DIGITAL ASSET PROPERTY.—For purposes of this subsection, the term 'traded digital asset property' means—

"(A) any traded digital asset,

"(B) any notional principal contract with respect to a traded digital asset,

"(C) any evidence of an interest in, or a derivative instrument in, any traded digital asset described in subparagraph (A) or (B), including any option, forward contract, futures contract, short position, and any similar instrument in such traded digital asset, "(D) to the extent provided by the Secretary, any position which—

"(i) is not a traded digital asset property described in subparagraph (A), (B), or (C), and

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

"(E) any interest in any entity if—

"(i) the taxpayer contributed any traded digital asset to such entity (directly or indirectly), or

"(ii) more than 25 percent of the value of such entity is derived (directly or indirectly) from traded digital assets (other than qualified U.S. dollar stablecoins), determined without regard to any assets acquired by such entity as part of a plan a principal purpose of which is to prevent interests in such entity from being treated as traded digital assets for purposes of this section.

"(6) REGULATIONS.—The Secretary shall issue regulations or other guidance as may be necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance—

“(A) treating gain on dispositions of traded digital asset property by a partnership as described in section 702(a)(7) to the extent such gain is taken into account (directly or indirectly) in the distributive share of any specified possession resident individual,

“(B) providing for the appropriate allocation of losses on the disposition of traded digital asset property with respect to specified possession resident individuals, and

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

“(i) for timely providing the information described in subsection (c)(3),

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

“(iii) for applying paragraph (2)(A)—

“(I) with respect to the taxable year for which the election is timely made under clause (ii) of this subparagraph, and

"(II) only to widely traded digital assets acquired before becoming a bona fide resident of the relevant possession and not disposed of before January 1, 2027.".

(c) LIMITATION ON ASSESSMENT AND COLLECTION.—Section 6501(c)(8)(A) is amended by inserting "937(c)(3)," before "1298(f),".

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

SEC. 305. APPLICATION OF REGISTRATION-REQUIRED OBLIGATION RULES.

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

(1) by striking "or" at the end of clause (ii),

(2) by striking the period at the end of clause (iii) and inserting ", or", and

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

"(iv) is a qualified U.S. dollar stablecoin.".

(b) CLARIFICATION OF TREATMENT OF DIGITAL ASSETS.—Section 4701 is amended by adding at the end the following new subsection:

"(c) DIGITAL ASSETS.—

"(1) LOCATION OF DISCLOSURE STATEMENT.— In the case of any digital asset, the requirement of clause (iii) of subsection (b)(1)(B) shall be treated as satisfied if the statement described therein is included in all written terms or marketing materials with respect to such digital asset and in such other locations or documents as the Secretary may prescribe in regulations.

"(2) TREATMENT OF DIGITAL ASSETS WITHOUT A FIXED MATURITY DATE.—In the case of any digital asset that does not have a fixed maturity date at issue, the date of maturity of such asset for purposes of subsection (a)(2) shall be treated as the date that is 25 years after the date of issuance of such digital asset.".

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years ending after September 14, 2026.

(2) CLARIFICATION OF TREATMENT OF DIGITAL ASSETS WITHOUT A FIXED MATURITY DATE.—The amendment made by subsection (b) shall apply to digital assets issued after September 14, 2026.

SEC. 306. CERTAIN RULES RELATED TO CHARACTER OF GAINS AND LOSSES RELATING TO DIGITAL ASSETS.

(a) APPLICATION OF WORTHLESS ASSET RULES.—

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

"(m) WORTHLESS DIGITAL ASSETS.—If any digital asset (other than a tokenized digital asset described in subsection (g)(2)(D)) becomes worthless during the taxable year, the loss resulting therefrom shall, for purposes of this subtitle, be treated as a loss from the sale or exchange, on the last day of the taxable year, of such digital asset.".

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

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

(B) by striking "; or" at the end of subparagraph (B) and inserting a comma,

(C) by striking the period at the end of subparagraph (C) and inserting ", or", and

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

"(D) a tokenized digital asset that is economically equivalent to a security described in subparagraph (A), (B), or (C).".

(b) APPLICATION OF RULES FOR FUTURES CONTRACTS.—

(1) IN GENERAL.—Section 1234B(c) is amended by striking all that precedes "any security future (as defined" and inserting the following:

"(c) SPECIFIED ASSET FUTURES CONTRACT.—For purposes of this section—

"(1) IN GENERAL.—The term 'specified asset futures contract' means—

"(A) any securities futures contract, and

"(B) any futures contract in a digital asset.

"(2) SECURITIES FUTURES CONTRACT.—The term 'securities futures contract' means".

(2) CONFORMING AMENDMENTS.—

(A) Section 1234A(1) is amended by striking "securities futures contract" and inserting "specified asset futures contract".

(B) Subsections (a)(1), (b), and (d) of section 1234B are each amended by striking "securities futures contract" and inserting "specified asset futures contract".

(C) Section 1234B(e) is amended by striking "securities futures contracts" and inserting "specified asset futures contracts".

(D) The heading of section 1234B is amended by striking "SECURITIES FUTURES CONTRACTS" and inserting "**SPECIFIED ASSET FUTURES CONTRACTS**".

(E) The item relating to section 1234B in the table of sections for part IV of subchapter P of chapter 1 is amended by striking "securities futures contracts" and inserting "specified asset futures contracts".

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

SEC. 307. MISCELLANEOUS PROVISIONS.

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

(1) TRADED DIGITAL ASSETS TREATED AS MARKETABLE SECURITIES.—Section 731(c)(2)(A) is amended—

(A) by striking "means financial instruments" and inserting "means—

"(i) financial instruments",

(B) by striking the period at the end and inserting ", and", and

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

"(ii) traded digital assets (determined without regard to clause (iii) of section 7701(p)(2)(A)) other than specified stablecoins (as defined in subsection (d)(4)(A)).".

(2) TREATMENT OF DISTRIBUTIONS OF SPECIFIED STABLECOINS.—Section 731 is amended—

(A) by redesignating subsection (d) as subsection (e), and

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

"(d) TREATMENT OF SPECIFIED STABLECOINS.—

"(1) IN GENERAL.—For purposes of subsection (a)(1) and section 737—

"(A) the term 'money' includes specified stablecoins, and

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

"(2) BASIS OF SECURITIES DISTRIBUTED.—Except as otherwise provided by the Secretary—

"(A) IN GENERAL.—For purposes of subsection (c)(4), the term 'marketable securities' includes specified stablecoins (other than exempt U.S. dollar stablecoins).

"(B) EXEMPT U.S. DOLLAR STABLECOINS.—In the case of any exempt U.S. dollar stablecoin, paragraph (1) shall be applied by substituting 'sections 732, 733, and 737' for 'section 737'.

"(3) APPLICATION OF CERTAIN OTHER RULES.—Except as otherwise provided by the Secretary, for purposes of paragraphs (5) and (6) of subsection (c), the term 'marketable securities' includes specified stablecoins.

"(4) DEFINITIONS.—For purposes of this subsection—

"(A) SPECIFIED STABLECOIN.—The term 'specified stablecoin' means any digital asset which is designed to track the value of the functional currency of the partner to which such digital asset is distributed.

"(B) EXEMPT U.S. DOLLAR STABLECOIN.—The term 'exempt U.S. dollar stablecoin' means any specified stablecoin if—

"(i) the functional currency referred to in subparagraph (A) with respect to such stablecoin is the dollar, and

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

"(5) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance to prevent the avoidance of such purposes.".

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

(A) by inserting "and specified stablecoins" after "marketable securities",

(B) by striking "section 731(c)" and inserting "section 731", and

(C) by inserting "AND SPECIFIED STABLECOINS" after "MARKETABLE SECURITIES" in the heading thereof.

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

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

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

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

(B) by inserting after clause (iii) the following new clause:

"(iv) any traded digital asset (determined without regard to clause (iii) of section 7701(p)(2)(A)),".

(2) CONFORMING AMENDMENTS.—

(A) Section 351(e)(1)(B)(v) (as redesignated by paragraph (1)) is amended by striking "clause (v) or (viii)" and inserting "clause (vi) or (ix)".

(B) Section 351(e)(1)(B)(vii) (as redesignated by paragraph (1)) is amended by striking "clause (viii)" and inserting "clause (ix)".

(C) Section 351(e)(1)(B)(viii) (as redesignated by paragraph (1)) is amended by striking "clauses (i) through (v) or clause (viii)" and inserting "clauses (i) through (vi) or clause (ix)".

(D) Section 351(e)(1)(B) is amended in the matter following clause (ix) (as redesignated by paragraph (1)) by striking "clauses (i) through (v)" and inserting "clauses (i) through (vi)".

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

(c) CERTAIN STABLECOIN LENDING TREATED AS INDEBTEDNESS.—

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

"SEC. 1289. STABLECOIN LENDING.

"(a) IN GENERAL.—Except as otherwise provided by the Secretary, for purposes of this title, the lending, rental, sale and repurchase, or other transfer of specified stablecoins shall be treated as indebtedness (and transfers made pursuant to such lending, rental, sale and repurchase, or other transfer shall be treated as interest) in the same manner, and to the same extent, as the equivalent transfer of money.

"(b) Specified Stablecoin.—Except as otherwise provided by the Secretary, for purposes of this section, the term 'specified stablecoin' means any digital asset which is designed to track the value of any currency or currencies.

"(c) Special Rule for Sale and Repurchases Involving Currency or Different Types of Specified Stablecoin.—Except as otherwise provided by the Secretary, for purposes of this section, a sale (or repurchase) of a specified stablecoin in connection with a repurchase (or sale) of currency or a different type (determined under rules similar to the rules of section 1051(b)(2)) of specified stablecoin shall be treated as a sale and repurchase of a specified stablecoin.

"(d) Regulations.—The Secretary may issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance providing rules for determining the source of interest income if the payor is unknown and backup withholding and reporting rules if the recipient of an interest payment is unknown.

"(e) Cross Reference.—For special rules applicable to transfers of specified stablecoins that are indebtedness under this section, see sections 1271 through 1288.".

(2) CLERICAL AMENDMENT.—The table of sections for subpart D of part V of subchapter P of chapter 1 is amended by adding at the end the following new item:

"Sec. 1289. Stablecoin lending.".

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

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

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

"(8) DIGITAL ASSETS.—Except as otherwise provided by the Secretary to prevent abuse, any digital asset.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to digital assets acquired after September 14, 2026.

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

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

(A) by striking "means any" and inserting "means—

"(A) any",

(B) by striking the period at the end and inserting ", and", and

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

"(B) any traded digital asset (determined without regard to clause (iii) of section 7701(p)(2)(A)).".

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

(f) BACKUP WITHHOLDING ON ILLIQUID DIGITAL ASSETS PAID FOR DIGITAL ASSET VALIDATION SUPPORTING ACTIVITIES.—

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

"(11) CERTAIN ILLIQUID DIGITAL ASSETS PAID FOR DIGITAL ASSET VALIDATION SUPPORTING ACTIVITIES.—

"(A) IN GENERAL.—In the case of an other reportable payment that consists of specified illiquid digital assets, except to the extent provided by the Secretary in regulations or other guidance, the payor shall be treated as having deducted and withheld from such payment the amount specified in subsection (a)(1) (and the proceeds of the liquidation referred to in clause (ii) shall be treated as the amount deducted and withheld under subsection (a)(1)) if such payor—

"(i) holds the applicable percentage of such specified illiquid digital assets (hereafter referred to as the 'withheld amount of digital assets') in a manner that prevents the recipient from using or withdrawing the withheld amount of digital assets,

"(ii) liquidates the withheld amount of digital assets at fair market value not later than the close of the first business day following the close of such fixed period, and

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

"(B) SPECIFIED ILLIQUID DIGITAL ASSET.—For purposes of this paragraph, the term 'specified illiquid digital assets' means digital assets that are—

"(i) transferred to the recipient in exchange for digital asset validation supporting activities, and

"(ii) restricted from being sold, exchanged, transferred, or otherwise disposed of, for a fixed period that ends after the date of such transfer.

"(C) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the term 'applicable percentage' means the rate of tax referred to in subsection (a)(1), expressed as a percentage.".

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

TITLE IV—CLARIFYING THE TAX TREATMENT OF MINING AND STAKING

SEC. 401. SOURCE AND CHARACTER OF MINING AND STAKING INCOME.

(a) DETERMINATION OF SOURCE.—Section 863 is amended by adding at the end the following new subsection:

"(f) TREATMENT OF INCOME FROM DIGITAL ASSET VALIDATION SUPPORTING ACTIVITIES.—

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

"(A) in the United States if the taxpayer is a United States resident, and

"(B) outside the United States if the taxpayer is a nonresident.

"(2) TREATMENT OF BRANCHES.—

"(A) FOREIGN BRANCHES.—In the case of a United States person with a qualified business unit (as defined in section 989(a)) in a foreign country, income described in paragraph (1) that constitutes business profits attributable to such unit shall be sourced outside the United States.

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

"(C) ATTRIBUTION.—For purposes of subparagraphs (A) and (B), the Secretary may issue such regulations or other guidance as the Secretary determines necessary or appropriate for purposes of determining the amount of business profits attributable to a qualified business unit or office or other fixed place of business.

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

"(4) UNITED STATES RESIDENT; NONRESIDENT.—For purposes of this subsection, the terms 'United States resident' and 'nonresident' have the meaning given such terms, respectively, in section 865(g)(1), determined after application of section 865(g)(2).".

(b) DETERMINATION OF CHARACTER.—

(1) IN GENERAL.—Part IV of subchapter P of chapter 1 is amended by adding at the end the following new section:

"SEC. 1261. INCOME FROM DIGITAL ASSET VALIDATION SUPPORTING ACTIVITIES.

"Income from digital asset validation supporting activities shall be treated as ordinary income.".

(2) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end the following new item:

"Sec. 1261. Income from digital asset validation supporting activities.".

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

SEC. 402. INVESTMENT TRUSTS ENGAGED IN DIGITAL ASSET STAKING.

(a) IN GENERAL.—Section 7701(p), as added by section 601 of this Act, is amended by adding at the end the following new paragraph:

"(13) STATUS OF TRUSTS ENGAGED IN DIGITAL ASSET STAKING.—

"(A) IN GENERAL.—An entity or arrangement shall not fail to be treated as a trust for purposes of this title solely by reason of the power of the trustee of such entity or under such arrangement to—

"(i) engage in staking digital assets held by the trust,

"(ii) retain or distribute digital assets received in connection with such staking,

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

"(iv) to the extent that any digital assets held by the trust are committed to staking, take measures necessary or appropriate to ensure that the trust has sufficient liquidity to make distributions in redemption of interests in the trust, including by borrowing or entering into an agreement to borrow money or digital assets to make such distributions, and

"(v) perform acts related to the exercise of the powers described in the preceding clauses of this subparagraph.

"(B) NOT TO APPLY TO VALIDATING TRADE OR BUSINESS.—Subparagraph (A) shall not apply in the case of an entity or arrangement engaged in the active conduct of a trade or business of validating digital asset transactions.

"(C) REGULATIONS.—The Secretary may prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this paragraph.".

(b) CLERICAL AMENDMENT.—The heading for section 7701(p), as added by section 601 of this Act, is amended by inserting "AND SPECIAL RULES" after "DEFINITIONS".

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

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

SEC. 501. BROKER REQUIREMENTS.

(a) IN GENERAL.—

(1) EXCEPTION FOR QUALIFIED U.S. DOLLAR STABLECOINS ACQUIRED AT REDEMPTION VALUE.—Section 6045(g)(3)(D) is amended to read as follows:

"(D) SPECIFIED DIGITAL ASSET.—The term 'specified digital asset' means any digital asset other than a qualified U.S. dollar stablecoin the customer's basis in which at the time of acquisition is at least 99.5 percent of such stablecoin's redemption value (as defined in section 1063(d)).".

(2) CONFORMING AMENDMENTS.—

(A) Section 6045(c)(1)(D) is amended by striking "digital assets" and inserting "specified digital assets".

(B) Subparagraph (B)(iv) and subparagraph (C)(iii) of section 6045(g)(3) are each amended by striking ‘‘digital asset’’ and inserting ‘‘specified digital asset’’.

(C) Section 6050I(d)(3) is amended by striking ‘‘(as defined in section 6045(g)(3)(D))’’.

(3) TRANSITION RULES.—The Secretary of the Treasury, or the Secretary's delegate, may, consistent with the purposes of section 6045(g) of the Internal Revenue Code of 1986—

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

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

(i) such stablecoin was acquired before the date that is 18 months after the issuance of final regulations or other guidance under section 1063(e) of such Code, and

(ii) the customer's adjusted basis (determined in accordance with section 6045(g)(2)(B) of such Code) in such stablecoin as of the later of—

(I) December 31, 2026, or

(II) the date that such stablecoin first became a qualified U.S. dollar stablecoin (as so defined),

is at least 99.5 percent of such redemption value.

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

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

"(A) IN GENERAL.—Except as otherwise provided by the Secretary, in the case of the disposition of a digital asset with respect to which no gain or loss is recognized by reason of section 1044(a)—

"(i) except as provided in clause (ii), subsection (a) shall not apply to such disposition, and

"(ii) the broker shall include in a return under subsection (a) such aggregate information relating to such dispositions of the taxpayer as the Secretary determines necessary or appropriate, including for purposes of verifying the taxpayer's basis in digital assets held by the taxpayer.

"(B) APPLICATION OF DE MINIMIS EXCEPTION.—If the broker has been notified by the taxpayer or the Secretary that the exception described in section 1044(f)(1)(B) applies to such taxpayer, the broker may treat such exception as continuing to apply with respect to such taxpayer for any calendar year (hereafter in this subparagraph referred to as the 'current calendar year') unless—

"(i) such taxpayer had more than 5,000 digital asset transactions with such broker during any of the 5 preceding calendar years and the taxpayer has not notified the broker that such exception applies to such taxpayer for the current calendar year,

"(ii) such taxpayer or the Secretary notifies such broker that such exception does not apply to such taxpayer, or

"(iii) such broker otherwise knows, or has reason to know, that such exception does not apply to such taxpayer.".

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

"(8) SPECIAL RULES FOR SIMPLIFIED ACCOUNTING FOR WIDELY TRADED DIGITAL ASSETS.—

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

"(i) except as provided in clause (ii), subsection (a) shall not apply to dispositions of such assets, and

"(ii) the broker shall include in a return under subsection (a) such information with respect to each designated type of such assets (within the meaning of section

1051) as the Secretary may provide, including—

"(I) aggregate reporting with respect to sales, exchanges, dispositions, and acquisitions of assets of such designated type (including net gain or loss thereon),

"(II) the fair market value of assets of such designated type held by the taxpayer as of the beginning and end of the calendar year, and

"(III) such other information as the Secretary may require with respect to assets of such designated type for purposes of the administration of section 1051.

"(B) DETERMINATION OF ELECTION BASED ON BROKER NOTIFICATION.—For purposes of subparagraph (A), the broker shall take into account any election under section 1051 (and any revocation of such election) if (and only if) the taxpayer or the Secretary notifies such broker of such election (or revocation) or such broker otherwise knows, or has reason to know, of such election (or revocation).".

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

SEC. 502. ESTABLISHMENT OF DIGITAL ASSET VOLUNTARY DISCLOSURE PROGRAM.

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

(b) REMEDIAL REQUIREMENTS.—The remedial requirements of this subsection are fulfilled if, at such time and in such manner as the Secretary determines appropriate, the eligible taxpayer—

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

(2) provides immediate payment, or the Secretary accepts from such taxpayer (and does not thereafter terminate) an installment agreement under section 6159 to provide payment, of—

(A) the aggregate amount of the deficiency of tax (including any interest thereon) attributable to all digital asset violations, and

(B) the digital asset violation penalty, and

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

(c) BENEFITS.—If the remedial requirements described in subsection (b) have been fulfilled to the satisfaction of the Secretary—

(1) in the case of an uncertified eligible taxpayer—

(A) the Secretary shall not assert any further penalties under sections 6662 and 6663 with respect to any deficiency of tax attributable to any digital asset violation properly disclosed by the taxpayer under the program, and

(B) the Secretary shall not use any information properly disclosed by the taxpayer under the program for purposes of referring such taxpayer for criminal investigation, or prosecuting such taxpayer, under section 7201, 7203, or 7206 (other than paragraph (2) thereof) with respect to any digital asset violation properly disclosed by the taxpayer under the program, and

(2) in the case of a certified eligible taxpayer, the Secretary shall not assert any further penalties under section 6662 with respect to any deficiency of tax attributable to any digital asset violation properly disclosed by the taxpayer under the program.

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

(1) ELIGIBLE TAXPAYER.—

(A) IN GENERAL.—The term ''eligible taxpayer'' means any uncertified eligible taxpayer or certified eligible taxpayer.

(B) UNCERTIFIED ELIGIBLE TAXPAYER.—The term ''uncertified eligible taxpayer'' means any taxpayer who—

(i) committed any digital asset violation during the applicable period,

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

(iii) does not certify, under penalty of perjury, that no digital asset violation occurring during the applicable period was committed fraudulently or willfully, and

(iv) if subject to—

(I) any ongoing criminal investigation with respect to any digital asset violation, or

(II) any ongoing audit or examination by the Internal Revenue Service with respect to any applicable taxable year,

has requested and been issued a waiver by the Secretary to nonetheless participate in the program. For purposes of clause (ii), the Secretary may impose a reasonable fee for submission of an application to participate in the program.

(C) CERTIFIED ELIGIBLE TAXPAYER.—The term ''certified eligible taxpayer'' means any taxpayer who—

(i) committed any digital asset violation during the applicable period,

(ii) as an addendum to each amended return filed under subsection (b)(1) (or at such other time and in such other form and manner as the Secretary may prescribe), certifies, under penalty of perjury, that no digital asset violation occurring during the applicable period was committed fraudulently or willfully, and

(iii) if subject to any ongoing audit or examination by the Internal Revenue Service with respect to any applicable taxable year, has requested and been issued a waiver by the Secretary to nonetheless participate in the program.

(2) DIGITAL ASSET VIOLATION.—

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

(i) such instance relates to the ownership of, or transactions in, digital assets during the applicable period, and

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

(B) DIGITAL ASSET.—For purposes of subparagraph (A), the term "digital asset" means, except as otherwise provided by the Secretary, any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary.

(3) APPLICABLE PERIOD.—The term ‘‘applicable period’’ means, with respect to any eligible taxpayer, the period—

(A) beginning with the later of—

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

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

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

(4) APPLICABLE TAXABLE YEAR.—The term ‘‘applicable taxable year’’ means, with respect to any eligible taxpayer, any taxable year during the applicable period with respect to such taxpayer.

(5) Digital asset violation penalty.—

(A) In general.—The digital asset violation penalty is an amount equal to the sum of—

(i) 25 percent (0 percent in the case of a certified eligible taxpayer) of the aggregate amount of so much of the deficiency of tax attributable to all digital asset violations as does not exceed $25,000 with respect to each applicable taxable year, plus

(ii) 40 percent (5 percent in the case of a certified eligible taxpayer) of the aggregate amount of so much of the deficiency of tax attributable to all digital asset violations as exceeds $25,000 with respect to each applicable taxable year.

(B) Special rules for amended returns filed after certain date.—In the case of an amended return with respect to any applicable taxable year filed under subsection (b)(1) after the date that is 12 months after the date on which the Secretary establishes the program, subparagraph (A) shall be applied with respect to such applicable taxable year—

(i) by substituting ''40 percent'' in lieu of ''25 percent'' in clause (i) thereof,

(ii) by substituting ''5 percent'' in lieu of ''0 percent'' in clause (i) thereof,

(iii) by substituting ''50 percent'' in lieu of ''40 percent'' in clause (ii) thereof,

(iv) by substituting ''10 percent'' in lieu of ''5 percent'' in clause (ii) thereof, and

(v) in the case of a certified eligible taxpayer, by substituting ''$100,000'' in lieu of ''$25,000'' each place it appears.

(C) WAIVER BY SECRETARY.—The Secretary may waive part or all of the digital asset violation penalty to the extent the Secretary determines that such a waiver would be in the interests of justice and the proper administration of the internal revenue laws, including in cases involving digital asset violations attributable to reasonable cause (as determined by the Secretary).

(6) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury or the Secretary's delegate.

(e) ASSESSMENT AUTHORITY; WAIVER OF RESTRICTIONS AND LIMITATIONS ON ASSESSMENT.—For purposes of this section, any deficiency of tax, additional tax or amount, or digital asset violation penalty shall be assessed, collected, and paid in the same manner as taxes, as provided in section 6665(a) (without regard to any restrictions or limitations on assessment described in section 6213 or 6501).

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

(g) REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including with respect to the provision of reasonable assurances to taxpayers that any information properly disclosed under the program shall not be used in contravention of any benefit described in subsection (c).

SEC. 503. TREASURY STUDY AND REPORT.

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

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

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

(A) reduce compliance costs and burden for withholding agents on cross-border transactions involving digital assets,

(B) replace traditional information reporting, withholding, transaction reports, and other financial information reporting for digital asset transactions using smart contract based withholding, instantly verified self-reporting with zero-knowledge proofs, or other trustworthy alternatives to existing third-party information collection, withholding, and reporting for on-chain transactions (or to provide an equivalent to such collection and reporting in cases where no intermediary currently provides equivalent data), and

(C) improve tax administration, reduce compliance costs, and improve taxpayer data security,

(2) evaluate the effectiveness of current withholding and backup withholding rules as applied to digital assets (including digital assets derived from staking activities) and assess whether existing timing, liquidity, valuation, and remittance requirements are workable where digital assets may be locked or otherwise unavailable for immediate use,

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

(4) emphasize data security and individual privacy improvements, including reducing identity theft risks from providing sensitive information to parties other than the Internal Revenue Service for reporting purposes, in considering the efficacy of such new digital technologies, and

(5) coordinate with stakeholders, such as technology developers, industry leaders, and data privacy and consumer protection experts, to identify new digital technologies, that are currently feasible or may be feasible in the near future, to promote effi-

cient tax administration and reduced compliance burden for the digital economy.

(c) REPORT TO CONGRESS.—Not later than September 30, 2028, the Secretary shall submit a written report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate that includes all of the findings of the Secretary with respect to the study conducted under subsections (a) and (b). Such report shall include a description of—

(1) the recommendations of the Secretary regarding the adoption of any new digital technologies for the purposes described in subsection (a),

(2) any legislative changes to the tax laws necessary to implement such recommendations,

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

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

(d) SECRETARY.—For purposes of this section, the term ''Secretary'' means the Secretary of the Treasury or the Secretary's delegate.

TITLE VI—DEFINITIONS; REGULATIONS; RULES OF CONSTRUCTION

SEC. 601. DEFINITIONS.

Section 7701 is amended—

(1) by redesignating subsection (p) as subsection (q), and

(2) by inserting after subsection (o) the following new subsection:

"(p) DEFINITIONS RELATED TO DIGITAL ASSETS.—For purposes of this title—

"(1) DIGITAL ASSET.—The term 'digital asset' means, except as otherwise provided by the Secretary, any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary.

"(2) TRADED DIGITAL ASSET.—

"(A) IN GENERAL.—The term 'traded digital asset' means, except as otherwise provided by the Secretary to prevent abuse, any digital asset if—

"(i) such asset is fungible,

"(ii) quotations of such asset are readily available on an exchange (or, in the case of an exchange that does not provide quotations, such quotations are readily ascertainable), and

"(iii) such asset is not a tokenized digital asset.

"(B) SPECIAL RULE FOR WRAPPED DIGITAL ASSETS.—In the case of any wrapped digital asset, except as otherwise provided by the Secretary to prevent abuse, such asset shall be treated as a traded digital asset if, and only if, the reference digital asset with respect to such wrapped digital asset is a traded digital asset.

"(3) WIDELY TRADED DIGITAL ASSET.—

"(A) IN GENERAL.—The term 'widely traded digital asset' means, with respect to any taxpayer for any taxable year and except as otherwise provided by the Secretary to prevent abuse, any traded digital asset if—

"(i) quotations for such asset were readily available on an exchange for the entire calendar year which ends in or with the taxable year preceding such taxable year,

"(ii) the market capitalization of such asset exceeded $500,000,000 at substantially all times during such calendar year, and

"(iii) not more than 10 percent of the units of such asset were owned, directly or indirectly, by the taxpayer or any person described with respect to the taxpayer under section 267(b) (applied without regard to section 267(c)(3)) or section 707(b)(1) at any time during such taxable year or such preceding taxable year.

"(B) SPECIAL RULE FOR WRAPPED DIGITAL ASSETS.—In the case of any wrapped digital asset, except as otherwise provided by the Secretary to prevent abuse, such asset shall be treated as a widely traded digital asset with respect to any taxpayer if, and only if, the reference digital asset with respect to such wrapped digital asset is a widely traded digital asset with respect to such taxpayer.

"(C) AUTHORITY TO ENSURE RELIABLE PRICE DISCOVERY.—For purposes of subparagraphs (A) and (B), the term 'prevent abuse' includes the exclusion of assets that lack reliable price discovery or that the Secretary determines are at risk of price manipulation.

"(D) AUTHORITY TO ADJUST REQUIREMENTS.—The Secretary may, by regulation, provide requirements that apply in lieu of one or more of the requirements of clauses (i) through (iii) of subparagraph (A) if the Secretary determines that due to changes in market conditions (including by reason of the enactment of Federal digital asset market structure legislation) that such alternative requirements would more effectively or efficiently identify traded digital assets for which there is consistent and reliable price discovery.

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

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2026' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

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

"(4) TOKENIZED DIGITAL ASSET.—

"(A) IN GENERAL.—The term 'tokenized digital asset' means any digital asset (other than any qualified U.S. dollar stablecoin) if more than an insignificant portion of the value of such digital asset is derived from anything other than the operation of the cryptographically secured distributed ledger on which such digital asset is recorded (including the protocols applicable to the operation of such ledger with respect to such digital asset).

"(B) SPECIAL RULE FOR WRAPPED DIGITAL ASSETS.—In the case of any wrapped digital asset, except as otherwise provided by the Secretary to prevent abuse, such asset shall be treated as a tokenized digital asset if, and only if, the reference digital asset with respect to such wrapped digital asset is a tokenized digital asset.

"(5) WRAPPED DIGITAL ASSET.—The term 'wrapped digital asset' means, except as otherwise provided by the Secretary to prevent abuse, any digital asset if such asset—

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

"(B) is recorded on a cryptographically secured distributed ledger other than the cryptographically secured distributed ledger on which the digital asset referred to in subparagraph (A) is recorded.

"(6) REFERENCE DIGITAL ASSET.—

"(A) IN GENERAL.—The term 'reference digital asset' means, with respect to any wrapped digital asset, the digital asset referred to in paragraph (5)(A).

"(B) SPECIAL RULE FOR REWRAPPINGS.—If, but for this subparagraph, the reference digital asset with respect to any wrapped digital asset would be a wrapped digital asset (hereafter referred to in this paragraph as the lower-tier wrapped digital asset)—

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

"(ii) the reference digital asset with respect to such lower-tier wrapped digital asset shall be treated as the reference digital asset of such wrapped digital asset.

"(C) MULTIPLE WRAPPINGS.— If, after the application of subparagraph (B), the reference digital asset with respect to the lower-tier wrapped digital asset is a wrapped digital asset, such subparagraph shall be reapplied by treating such lower-tier wrapped digital asset as the wrapped digital asset.

"(7) STABLECOIN.—

"(A) QUALIFIED U.S. DOLLAR STABLECOIN.—The term 'qualified U.S. dollar stablecoin' means any U.S. dollar stablecoin the issuer of which is—

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

"(ii) a foreign payment stablecoin issuer (as defined in section 2(12) of the GENIUS Act, as so in effect) registered with the Office of the Comptroller of the Currency under the GENIUS Act (as so in effect).

"(B) U.S. DOLLAR STABLECOIN.—The term 'U.S. dollar stablecoin' means—

"(i) a payment stablecoin (as defined in section 2(22) of the GENIUS Act (as in effect on the date of the enactment of this paragraph), applied by substituting 'dollars' for 'monetary value' each place it appears in such section), and

"(ii) to the extent provided by the Secretary to prevent abuse, any stablecoin similar to a payment stablecoin described in clause (i).

"(C) PUBLICATION OF LIST.—The Secretary shall, to the extent feasible, regularly publish a list of qualified U.S. dollar stablecoins.

"(D) LIMITED AUTHORITY TO TREAT STABLECOINS AS MONEY.—The Secretary may issue such regulations or other guidance as may be necessary or appropriate to (except as otherwise expressly provided in this title)—

"(i) treat qualified U.S. dollar stablecoins as dollars, and

"(ii) treat payment stablecoins (as defined in section 2(22) of the GENIUS Act, as in effect on the date of the enactment of this paragraph) other than qualified

U.S. dollar stablecoins as currency if such treatment is expected to increase net Federal revenues.

"(8) DIGITAL ASSET TRANSACTION.—The term 'digital asset transaction' means any transfer of a digital asset recorded on the cryptographically secured distributed ledger (or similar technology) referred to in paragraph (1).

"(9) DIGITAL ASSET VALIDATION SUPPORTING ACTIVITIES.—The term 'digital asset validation supporting activities' means staking, mining, or, except as otherwise provided by the Secretary, similar activities in support of the validation of digital asset transactions.

"(10) VALIDATION.—The term 'validate', and any derivative of such term (including 'validation'), when used in connection with a digital asset transaction, includes the processes of proposing transactions for validation and verifying the validation of transactions.

"(11) STAKING.—The term 'staking', when used in connection with a digital asset, means—

"(A) making such asset available in support of the validation of digital asset transactions, and

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

"(12) MINING.—The term 'mining', when used in connection with a digital asset, means—

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

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

SEC. 602. REGULATIONS.

It is the sense of the Congress that the Secretary of the Treasury should strongly consider issuing (under the authority of section 7805 of the Internal Revenue Code of 1986, or other applicable provisions of such Code) regulations or other guidance to—

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

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

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

(4) provide for the appropriate application of subpart J of part III of subchapter N of chapter 1

of such Code (relating to foreign currency transactions) to digital assets,

(5) clarify what constitutes the active conduct of a trade or business of validating digital asset transactions (or conducting staking, mining, or similar activities in support of validating digital asset transactions),

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

(7) clarify the treatment of tokenized digital assets, and

(8) clarify the circumstances under which any of the following transactions constitute realization events: tokenization transactions, wrapping transactions, unwrapping transactions, forks, airdrops, and exchanges involving liquidity pool tokens or staking pool tokens.

SEC. 603. RULES OF CONSTRUCTION.

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

(b) NO INFERENCE WITH RESPECT TO PRIOR PERIODS.—No provision of this Act (or any amendment made by this Act) shall be construed to create any inference with respect to the proper application of any provision of the Internal Revenue Code of 1986 with respect to any period before the period to which such provision or amendment applies.

TITLE VII—FULL HOUSE ACT

SEC. 701. REINSTATEMENT OF RULES FOR WAGERING LOSSES.

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

"(d) WAGERING LOSSES.—Losses from wagering transactions shall be allowed only to the extent of the gains from such transactions. For purposes of the preceding sentence, the term 'losses from wagering transactions' includes any deduction otherwise allowable under this chapter incurred in carrying on any wagering transaction.".

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

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