

Tax Changes Proposed by the Bipartisan Digital Asset PARITY Act

An SJSU Tax Webinar
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Learning Objectives

- Describe the rationale for digital asset tax legislative proposals.
- Describe the basics of the proposed changes.
- Explain the prospects for enactment and the tax treatment without legislative changes.

Continuing education:

- Be sure to answer polling questions during webinar.
- Enrolled agents and California CPAs, we'll send certificate later.
- California attorneys - Our application for renewal of our MCLE Multiple Activity Provider status is pending approval.

Is digital tax legislation needed? Point 1

1. Notice 2014-21 – treat virtual currency as property. If treatment not covered in this notice, apply rules on property transactions.
 - Issue: Some digital asset activities have no counterpart with other property.
 - Hard fork, staking, wrapping, and more.

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Is digital tax legislation needed? Point 2

2. Several longstanding rules on investments only apply to securities and perhaps should also apply to digital assets held for investment. For example (not a complete list):
 - §165(g), Worthless securities*
 - §475, Mark to market accounting method for dealers in securities
 - §864, Definitions and special rules [trading safe harbor]
 - §1058, Transfers of securities under certain agreements
 - §1091, Loss from wash sales of stock or securities

*This has been omitted from bills. [AICPA](#) has recommended it be expanded to treat worthless or abandoned digital assets as sale or exchange on last day of year. Without the change, no loss is allowed (per §62, §63, §67, CCA 202302011).

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Is digital tax legislation needed? Point 3

3. Simplification of existing tax rules as applied to digital assets. For example:
 - §170(f)(11) – donation of actively traded digital asset valued at over \$5,000 requires qualified appraisal by qualified appraiser
 - De minimis rule for certain transactions such as where digital asset held for personal use rather than investment or below a specified amount realized.

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Several proposals over past several years and some Congressional hearings

- Senator Lummis (R-WY)
 - S.4356 (117th Congress), Lummis-Gillibrand Responsible Financial Innovation Act
 - Tax and non-tax proposals
 - Sec. 201. Gain from disposition of digital assets.
 - Sec. 202. Information reporting requirements imposed on brokers with respect to digital assets.
 - Sec. 203. Sources of income.
 - Sec. 204. Decentralized autonomous organizations.
 - Sec. 205. Tax treatment of digital asset lending agreements and related matters.
 - Sec. 206. Implementing effective IRS guidance.
 - Sec. 207. Analysis of retirement investing in digital assets.
 - Sec. 208. Digital asset mining and staking.

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Proposals of 119th Congress

Senator Lummis Updated Crypto Tax Provisions Released (7/3/25)

- Unlike past bills, this one just has tax provisions covering:
 - De minimis gain exclusion for personal transactions capped at \$300 per transaction and \$5K yearly
 - Expands §1058 on lending digital assets
 - Wash sale loss limitation of §1091 would apply to digital assets
 - New §475(g) allows dealers and traders to elect mark-to-market treatment for digital assets
 - New §451(l) allows deferral of income recognition for mining and staking income, treat it as ordinary income when recognized
 - §170(f) modified to exempt actively traded digital assets from qualified appraisal requirement

<https://www.lummis.senate.gov/press-releases/lummis-unveils-digital-asset-tax-legislation/>

- Attempt to add to H.R. 1 (OBBBA) failed. [[CoinDesk, 7/4/25](#)]

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Rep. Miller Expected to Release Crypto Tax Bill (7/16/25)

- Announced during House Ways & Means hearing on 7/16/26
- To address de minimis reporting, treatment of mining and staking, more.
- Politico, 7/16/25 - <https://www.politico.com/live-updates/2025/07/16/congress/max-miller-plans-to-lead-comprehensive-tax-overhaul-for-crypto-00456141>
- Hearing - Making America the Crypto Capital of the World: Ensuring Digital Asset Policy Built for the 21st Century, 7/16/25
 - <https://waysandmeans.house.gov/event/oversight-subcommittee-hearing-on-making-america-the-crypto-capital-of-the-world-ensuring-digital-asset-policy-built-for-the-21st-century/>

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JCT, Examining The Taxation Of Digital Assets, JCX-44-25 (9/29/25)

- Prepared for 10/1/25 Senate Finance Committee [hearing](#) on Examining the Taxation of Digital Assets
- Summary of selected issues – generally, areas where change is needed to cover digital assets:
 - Election for dealers and traders to mark digital assets to market (§475)
 - Trading safe harbor (§864)
 - Treatment of certain loans of digital assets (§1058)
 - Wash sales (§1091)
 - Constructive sales (§1259)
 - Exclusion of de minimis gain upon certain dispositions of nonfunctional currency
 - Timing and source of income earned from mining and staking
 - Valuation and substantiation of charitable contributions (§170(f)(11))
 - FBAR and FATCA reporting
- <https://www.jct.gov/publications/2025/jcx-44-25/>

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10/1/25 Senate Finance Committee Hearing on Examining the Taxation of Digital Assets

- Chairman Crapo: ““Currently, our tax code does not provide straightforward answers for many digital asset transactions, whether someone is buying a cup of coffee, donating to charity, investing, lending, mining or staking. “Without clear tax rules, taxpayers are left with many unanswered questions and individuals, businesses and our country’s finances bear the burden.”
- Ranking Member Wyden: “This is a new and rapidly transforming industry. It raises new questions all the time, including how to treat crypto firms that, for all intents and purposes, are essentially just sports gambling companies. The Senate needs to handle these issues carefully and take the time to get it right, and that will be a challenge. I certainly hope the Senate is able to handle that in a bipartisan process that goes through regular order -- and doesn’t sidestep this committee.”



[link](#)

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Cryptocurrency Tax Framework Proposal by Reps. Miller and Horsford

- Bipartisan proposal - *Digital Asset Protection, Accountability, Regulation, Innovation, Taxation, and Yields (PARITY) Act*
- [12/20/25 press release of Rep. Horsford](#) (D-NV)
- [12/20/25 press release of Rep. Miller](#) (R-OH)
 - Goal – allow tax code to reflect modern financial technology, clarify tax rules
 - Need “guardrails that allow innovation to grow while protecting taxpayers and the integrity of our tax system”
 - Includes link to draft of bill which includes some explanatory text.

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H.R. 8899 - Revised Miller-Horsford Digital Asset Protection, Accountability, Regulation, Innovation, Taxation, and Yields (PARITY) Act (5/19/26)

- SEC. 2 Regulated Payment Stablecoin Transactions - generally no G/L if as long as no less than 99% of redemption value. No benefit for transaction costs.
 - SEC. 3 Digital asset trading safe harbor - changes to §864
 - SEC. 4 Tax treatment of digital asset lending agreements and related matters - changes to §1058
 - SEC. 5 Application of wash sale rules to digital assets - §1091
 - SEC. 6 Mark-to-Market Election - §475
 - SEC. 7 Application of constructive sale rules to digital assets - §1259
 - SEC. 8 Treatment of digital assets acquired through validation activities - §1400W-1. -2 and -3
 - SEC. 9 Charitable contributions and qualified appraisals - §170
 - SEC. 10 Treatment of certain digital asset activities - §7701
 - SEC. 11 Definitions
 - SEC. 12 Study and report on relief for digital asset consumer transactions
-
- Press releases of sponsors (May 2026): [Rep. Miller](#) and [Rep. Horsford](#)
 - <https://www.congress.gov/bill/119th-congress/house-bill/8899>

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Digital Asset Tax Legislation Split into 7 Bills – June 2026

1. H.R. 9172 – Applying Existing Tax Anti-Abuse Rules to Digital Assets Act
 - H.R. 8899 – SEC. 5 (§1091)
 - H.R. 8899 – SEC. 7 (§1259)
 - H.R. 8899 – SEC. 11 (§7701, definitions)
 2. H.R. 9173 – Charitable Deductions for Digital Asset Donations Act
 - H.R. 8899 – SEC. 9 (§170)
 3. H.R. 9174 – Digital Assets Voluntary Disclosure Program Act
 - Not included in H.R. 8899
 4. H.R. 9175 – Tax Clarity for Mining and Staking Act
 - H.R. 8899 – SEC. 8 (staking and mining)
 5. H.R. 9176 – Providing Analogous Rules for Digital Assets (“PAR”) Act
 - H.R. 8899 – SEC. 3 (§864)
 - H.R. 8899 – SEC. 4 (§1058)
 - H.R. 8899 – SEC. 6 (§475)
 - H.R. 8899 – SEC. 11 (§7701, definitions)
 6. H.R. 9178 – Less Tax Paperwork for Digital Asset Owners Act
 - H.R. 8899 – SEC. 2
 7. Discussion Draft – End Digital Assets Tax Shelter Act
 - “closes a tax loophole allowing U.S. residents to avoid tax on digital assets.”
- Amendment to H.R. 9173 and H.R. 9175 (Rep. Steven Horsford)



- H.R. 8899 is not identical to the 7 bills
- Links to each bill can be found at House Ways & Means [website](#).
- Further description and background in JCT, Digital Asset Taxation, [JCX-18-26](#), 6/8/26.
- Summary on following slides.

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Revenue Estimates of 7 Digital Asset Taxation Bills per [JCX-18-26](#) (6/8/26)

ESTIMATED REVENUE EFFECTS OF TAX LEGISLATION RELATED TO DIGITAL ASSETS

Fiscal Years 2026 - 2036

[Millions of Dollars]

Provision	Effective	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2026-36
1. H.R. 9178, the “Less Tax Paperwork for Digital Asset Owners Act”	generally doaa 12/31/27	---	---	-52	-125	-158	-159	-169	-195	-226	-265	-311	-1,660
2. H.R. 9175, the “Tax Clarity for Mining and Staking Act”	generally aai tyba DOE	-302	-604	-531	-430	-370	-294	-122	-10	-50	-95	-148	-2,956
3. H.R. 9173, the “Charitable Deductions for Digital Asset Donations Act”	tyba 12/31/26	-7	-30	-41	-48	-55	-62	-70	-77	-85	-94	-103	-672
4. H.R. 9176, the “Providing Analogous Rules for Digital Assets Act”	generally tyba DOE	---	190	284	325	244	115	45	63	45	20	31	1,362
5. H.R. 9174, the “Digital Assets Voluntary Disclosure Program Act”	DOE	----- Negligible Revenue Effect -----											
6. H.R. 9172, the “Applying Existing Tax Anti-Abuse Rules to Digital Assets Act”	dacsa DOI	---	156	286	265	253	222	193	183	175	171	170	2,074
7. Discussion Draft, H.R. _____, the “End Digital Assets Tax Shelters Act”	tyba 12/31/26	---	5	15	15	14	15	15	15	15	16	16	141

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. The date of enactment is assumed to be July 1, 2026.

Legend for “Effective” column:

aai = assets acquired in
dacsa = dispositions and constructive sales after
doaa = disposition of assets after

DOE = date of enactment
DOI = date of introduction
tyba = taxable years beginning after

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H.R. 9172 – Applying Existing Tax Anti-Abuse Rules to Digital Assets Act

- Apply wash sale rule of §1091 and constructive sale rule of §1259 to digital assets.
- §1091 – replace “stock or securities” with “specified assets” defined as:
 - “(A) any stock or security, and (B) any digital asset other than a qualified U.S. dollar stablecoin.”
- “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 digital asset if such tokenized digital asset (or such wrapped digital asset) is economically equivalent to such stock, security, or digital asset.”
- Exception for certain digital assets acquired in validation activity (staking, mining).
- §1259 modified by adding “digital asset (other than a qualified U.S. dollar stablecoin” after “debt instrument.”
- https://waysandmeans.house.gov/wp-content/uploads/2026/06/ARRING_124_xml.pdf

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H.R. 9173 – Charitable Deductions for Digital Asset Donations Act

- Adds “widely traded digital assets (except as the Secretary determines appropriate to prevent abuse of this section)” to §170(f)(11) so doesn’t need a qualified appraisal even if value exceeds \$5,000.
- Widely traded –
 - Quotations readily available on an exchange for entire calendar year;
 - Market cap of asset exceeds \$500 million (adjusted for inflation);
 - Not more than 10% of asset units owned directly or indirectly by taxpayer or related party at any time during tax year or preceding year
- IRS can “prevent abuse” such as by excluding assets that lack reliable price discovery or that IRS determines are at risk of price manipulation.
- https://waysandmeans.house.gov/wp-content/uploads/2026/06/KELLPA_065_xml.pdf

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H.R. 9174 – Digital Assets Voluntary Disclosure Program Act

- “Establishes a one-time, voluntary disclosure program to promote tax compliance.”
- IRS to create within 12 months of enactment.
- IRS may impose reasonable fee for submitting application to participate.
- Benefits:
 - Waive penalties under §6662 and §6663.
 - Can’t use info for criminal investigation or prosecution

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H.R. 9175 – Tax Clarity for Mining and Staking Act

- Digital asset received as rewards for staking and mining are ordinary income.
- May elect to treat similarly to self-created property.
- “allows grantor trusts that hold digital assets to receive staking rewards without jeopardizing their tax status.”
- Acquisition costs not capitalized.
- Amends §863 on sourcing if digital assets acquired via validation protocol
 - Source to US if taxpayer is US resident at time of acquisition
 - Source outside US if taxpayer is nonresident at time of acquisition.
- Treated as “hot asset” under §751 – includes “qualified newly minted digital assets (as defined in section 1400W-2(d))”
- Result: Recipient of staked coin can report as ordinary income when rec’d, later appreciation is capital gain. Or elect to defer and report future gain/loss as ordinary.
- https://waysandmeans.house.gov/wp-content/uploads/2026/06/CAREY_060_xml.pdf

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H.R. 9176 – Providing Analogous Rules for Digital Assets (“PAR”) Act

- §1058 on lending modified to include traded digital assets.
- §475 on mark-to-market modified to include “covered digital assets” (generally any widely traded DA) – for dealers and traders.
- §864(b)(2) trading safe harbor modified to include traded digital assets.
- §7701(p) added to define terms.
- https://waysandmeans.house.gov/wp-content/uploads/2026/06/KUSTOFF_049_xml.pdf

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H.R. 9176 – SEC. 5, Definitions

- §7701(p) added to define
 1. Digital asset,
 2. Traded digital asset,
 3. Widely traded digital asset,
 4. Tokenized digital asset,
 5. Wrapped digital asset,
 6. Reference digital asset,
 7. Stablecoin,
 8. Digital asset transaction,
 9. Digital asset validation supporting activities,
 10. Validation
 11. Staking
 12. Mining

Definitions 1 to 7 are
in H.R. 9176.

Definitions 1 to 12 are
in H.R. 9172.

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H.R. 9178 – Less Tax Paperwork for Digital Asset Owners Act - Rep. Yakym Info on Bill to Cut Red Tape for Digital Asset Owners

- Per [6/9/26 press release](#) on bill:
 - Intended to simplify recordkeeping for owners of digital assets to improve compliance.

The *Less Tax Paperwork for Digital Asset Owners Act* reduces burden and promotes compliance by:

- Excluding gain or loss on digital assets used to pay a network fee. Routine, small-dollar network transactions will no longer trigger a reporting event;
- Excluding gain or loss on regulated U.S. dollar stablecoins. Transactions in dollar-backed stablecoins are treated as the dollar equivalents they are; and
- Creating an election for a simplified accounting method for digital assets, giving owners a cleaner, more manageable way to track and report their holdings.

Together, these changes provide taxpayers with certainty, reduce burden, promote compliance, and position the United States to lead the global digital economy.

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H.R. 9178 – Less Tax Paperwork for Digital Asset Owners Act

- “Streamlines the reporting process and eases the burden by:
 - Excluding gain or loss on digital assets used to pay a network fee;
 - Excluding gain or loss on regulated U.S. dollar stablecoins; and
 - Creating an election for a simplified accounting method for digital assets.”
- Adds new §1044, De Minimis Network Fee Exception
 - “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”
 - “‘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.”
- Adds new §1051, Election to Apply Simplified Accounting for Gain and Loss on Widely Traded Digital Assets
 - “Designated type of digital asset” (DTDA) – “any type of widely traded digital asset with respect to which such taxpayer elects the application of this section for such taxable year.”
 - See JCT explanation on next slide.
- https://waysandmeans.house.gov/wp-content/uploads/2026/06/YAKYM_044_xml.pdf

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H.R. 9178 – Less Tax Paperwork for Digital Asset Owners Act – [JCT](#) Explanation of §1051, Election to Apply Simplified Accounting for Gain and Loss on Widely Traded Digital Assets

The proposal provides an election under which a taxpayer may change the method by which they recognize gain and loss on digital assets.

Under the proposal, a “designated type of digital asset” (or “DTDA”) means, with respect to any taxpayer and taxable year, any type of widely traded digital asset for which the taxpayer elects to apply the alternative method for recognizing gain and loss.

For any DTDA, with respect to any taxable year, the taxpayer’s gain for the year with respect to all of its widely traded digital assets of that designated type is equal to the excess, if any, of:

- 1) The sum of:
 - (i) The aggregate amount realized by the taxpayer on sales or exchanges of such DTDA during the taxable year;
 - (ii) In the case of dispositions (including nonrecognition transactions) other than such sales or exchanges, the fair market value of such DTDA at the time of disposition; and
 - (iii) The fair market value of such DTDA held by the taxpayer at the close of the taxable year; over
- 2) The sum of:
 - (i) The fair market value of the consideration provided by the taxpayer for the acquisition of such DTDA during the taxable year;
 - (ii) In the case of any disposition described in (1)(ii) above, any amounts which would have been realized by the taxpayer on such disposition if such disposition had been a sale or exchange;
 - (iii) In the case of the acquisition of such DTDA during the taxable year that have a basis determined by reference to the basis of the transferor, the taxpayer’s basis in such DTDA immediately after acquisition; and
 - (iv) The fair market value of such DTDA held by the taxpayer as of the close of the preceding taxable year.

If the sum in (2) exceeds the sum in (1), the taxpayer’s loss for the year with respect to such DTDA is the excess, if any, of the second sum over the first sum. The taxpayer does not recognize any gain or loss on the disposition of such DTDA during the taxable year except as provided by these formulas. Any gain or loss recognized under the proposal is treated as short-term capital gain or short-term capital loss, respectively.

H.R. 9178 – Less Tax Paperwork for Digital Asset Owners Act - more

- Adds new §1063, Certain U.S. Dollar Stablecoin Transactions
 - Basis of qualified U.S. dollar stablecoin acquired is the redemption value of such stablecoin, unless “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.”
 - Similar for acquisition of stablecoin unless “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.”
- *Observations:*
 - Purpose seems to be to generally have no gain or loss on stablecoins with specified exceptions such as if taxpayer is a trader, broker or dealer in qualified U.S. dollar stablecoins.
 - If intended to be simple, seems to be a complex provision.

H.R. 9178 – Less Tax Paperwork for Digital Asset Owners Act - more

- Modifies broker reporting at §6045(g)(3)(D) to remove stablecoin from reporting and use term “specified digital asset” rather than “digital asset.”
- Adds §6045(g)(7), Special rules for digital assets used to pay de minimis validation fee.
- Adds §6045(g)(8), Special rules for simplified accounting for widely traded digital assets.

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Discussion Draft – End Digital Assets Tax Shelter Act

- *“Democratic legislation that closes a tax loophole allowing U.S. residents to avoid tax on digital assets.*
 - Some U.S. citizens evade tax on digital assets based on an improper interpretation of rules for determining Puerto Rican source income and the IRS has struggled to effectively prevent this abuse.
 - The bill will create a bright line rule that clearly disallows this abuse, making enforcement easier without impacting long-term Puerto Rican residents.
 - This bill provides clarity for taxpayers and prevents these abusive transactions.”
- https://waysandmeans.house.gov/wp-content/uploads/2026/06/HWC_065_xml7.pdf

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Amendment to H.R. 9173 and H.R. 9175 (Rep. Steven Horsford)

- H.R. 9175 - Terminate deferral after 5 years.
- H.R. 9173 – add to §170(f)(11) to provide additional documentation in some circumstances and address digital assets other than those widely traded.
- <https://waysandmeans.house.gov/wp-content/uploads/2026/06/Amendment-to-H.R.-9173-and-H.R.-9175.pdf>

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What's
missing?

- Expand §165(g) to also apply to worthless or abandoned digital assets.
- Further clarification or simplification of broker reporting at §6045.
- Other items?

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House Ways & Means Hearing on Taxation of Digital Assets – 6/9/26

- Witnesses from Fidelity, Coinbase, Coin Center and Tax Law Center at NYU Law School.
- Member considerations range from need to clarify rules and not restrict growth to moving cautiously to avoid moving funds to riskier investments.
- <https://waysandmeans.house.gov/event/full-committee-legislative-hearing-on-digital-asset-taxation/>



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Questions and Next Steps

- Will any of the 7 bills get 60 votes in Senate and 51% in House?
- If any bills not enacted, what is effect to efforts to modernize IRC for digital assets?
- Timing – before or after (a) November election or (b) 120th Congress or (c) further push to 121st Congress

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Mark your calendar:

42nd Annual TEI-SJSU High Tech Tax Institute – Nov. 2 – 3, 2026

4th Annual SJSU Blockchain Tax Conference – January 29, 2027

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