



# Frequently asked questions on digital asset transactions

On Nov. 15, 2021, Congress amended the Internal Revenue Code by enacting section 80603 of the Infrastructure Investment and Jobs Act, Public Law 117-58, 135 Stat. 429, 1339 (2021) (Infrastructure Act), making several changes to the broker reporting provisions under section 6045 to clarify the rules regarding how certain digital asset transactions should be reported by brokers, and to expand the categories of assets for which basis reporting is required to include all digital assets. Importantly, the Infrastructure Act used the term “digital asset,” which it defined broadly in section 6045(g)(3), to mean, 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.

On July 29, 2024, the Treasury Department and the IRS published Treasury Decision 10000, in the Federal Register (89 FR 56480) ([2024 Regulations](#) ) , which implements many of the changes added by the Infrastructure Act and also provides rules for determining a taxpayer’s amount realized and basis from digital asset transactions occurring on or after Jan. 1, 2025. The term “digital asset,” as used in section 6045 and the 2024 Regulations, includes both cryptographically secured assets that may function as a medium of exchange as well as cryptographically secured assets, such as non-fungible tokens (NFTs), which do not function as a medium of exchange. As such, digital assets also include, but are not limited to, property the Department of the Treasury and the Internal Revenue Service have previously referred to as convertible virtual currency and cryptocurrency. See FAQ 47 for the definition of a digital asset.

## Related

- [Digital Assets](#)
- [IRS Notice 2014-21, IRB 2014-16](#)
- [Rev. Rul. 2019-24](#)
- [Frequently asked questions on broker reporting](#)

**Q47. What is a digital asset? (added Dec. 15, 2025)**

A47. The term “digital asset” means any digital representation of value that is recorded on a cryptographically secured distributed ledger, or any similar technology, without regard to whether each individual transaction involving that digital asset is actually recorded on that ledger, and that is not cash (for this purpose, United States dollars or any convertible foreign currency that is issued by a government or a central bank, whether in physical or digital form). Examples of a digital asset generally include assets referred to in Part I of these FAQs as virtual currencies, cryptocurrencies such as bitcoin, stablecoins, and non-fungible tokens (“NFTs”).

#### **Q48. How are digital assets treated for federal income tax purposes? (added Dec. 15, 2025)**

A48. Digital assets are treated as property, and the general tax principles applicable to all property transactions also apply to transactions involving digital assets. For more information on the tax treatment of digital asset transactions on or after Jan. 1, 2025, see the 2024 Regulations and other IRS guidance at [IRS.gov/digitalassets](https://www.irs.gov/digitalassets). For more information on general property transactions, see Publication 544, Sales and Other Dispositions of Assets.

#### **Q49. Will I recognize any gain or loss if I sell digital assets for U.S. dollars or similar currency? (added Dec. 15, 2025)**

A49. Yes. If you sell digital assets for U.S. dollars or similar currency, you must recognize any capital gain or loss on the sale subject to any limitations on the deductibility of capital losses. For more information on capital assets, capital gains, and capital losses, see Publication 544, Sales and Other Dispositions of Assets.

#### **Q50. How do I determine if my gain or loss from the sale or disposition of digital assets is a short-term or long-term capital gain or loss? (added Dec. 15, 2025)**

A50. If you held digital assets for one year or less before selling or exchanging the digital assets, then you will have a short-term capital gain or loss. If you held the digital assets for more than one year before selling or exchanging them, then you will have a long-term capital gain or loss. The period during which you held the digital assets (known as the “holding period”) begins on the day after you acquired the digital assets and ends on the day you sell or exchange them. For more information on short-term and long-term capital gains and losses, see Publication 544, Sales and Other Dispositions of Assets. If the digital assets are also section 1256 contracts, see [FAQ 51](#) for the treatment of the contracts.

**Q51. If my digital assets are also section 1256 contracts, how do I determine if my gain or loss is a short-term or long-term capital gain or loss? (added Dec. 15, 2025)**

A51. If you hold a position in a digital asset that is also a section 1256 contract to you such as a regulated futures contract, apply the rules under section 1256. If you sell, exchange, allow to lapse, or otherwise terminate a section 1256 contract during the taxable year, determine your amount of gain or loss from the transaction. If you hold a section 1256 contract at the end of your taxable year, you are treated as having sold the contract for its fair market value on the last business day of the taxable year and must determine gain or loss from the deemed sale. For each section 1256 contract, any gain or loss generally will be treated as 40% short-term and 60% long-term. If your section 1256 contract transactions were conducted with a broker, your broker will report your section 1256 transactions in boxes 8 – 11 on Form 1099-B, Proceeds from Broker and Barter Exchange Transactions. For more information on section 1256 contracts, see [Publication 550](#), Investment Income and Expenses (Including Capital Gains and Losses).

**Q52. How do I calculate my gain or loss if I sell digital assets for U.S. dollars or similar currency? (added Dec. 15, 2025)**

A52. Your gain or loss on the sale of your digital assets for U.S. dollars or similar currency will be the difference between your adjusted basis in the digital assets and your “amount realized” on the sale. Your amount realized equals the sum of the amount of cash you received plus the fair market value of any services you received to effect the sale reduced by your digital asset transaction costs allocable to the disposition of the transferred digital assets. You should report your gain or loss from the sale of digital assets on your federal income tax return in U.S. dollars. For more information on gain or loss from sales or exchanges, see Publication 544, Sales and Other Dispositions of Assets. For more information on how to determine your digital asset transaction costs, see [FAQ 53](#).

### **Q53. What are digital asset transaction costs? (added Dec. 15, 2025)**

A53. The term “digital asset transaction costs” means the amount paid by you in cash or property (including digital assets) for services provided by another to effect the purchase, sale, or disposition of a digital asset. For example, digital asset transaction costs may include transaction and “gas” fees, transfer taxes, and commissions. If you pay costs to effect a transfer of digital assets, rather than a purchase, sale, or disposition, those costs are not treated as digital asset transaction costs. For example, amounts paid by you for transaction services to effect a transfer of your digital assets between your own wallets or accounts are not treated as digital asset transaction costs. See also [FAQ 81](#).

### **Q54. What is a “wallet”? (added Dec. 15, 2025)**

A54. The term “wallet” refers to a means of storing, electronically or otherwise, a user’s private keys to digital assets held by or for the user.

### **Q55. I paid cash for services provided by another to effect the sale of digital assets. May I reduce the amount realized on the sale of digital assets by the amounts I paid for those services? (added Dec. 15, 2025)**

A55. Yes. If you made a payment in cash for services provided by another to effect the sale of your digital assets, you have digital asset transaction costs allocable to the sale of your digital assets that may reduce your amount realized on the sale. For more information on the types of costs that qualify as digital asset transaction costs, see [FAQ 53](#).

**Q56. I purchased digital assets with cash and paid cash for transaction services provided to effect the purchase. How do I determine my basis in the digital assets I received? (added Dec. 15, 2025)**

A56. If you purchase digital assets using cash in a transaction your basis in the digital assets received includes the amount you paid in cash for the digital assets plus the amount you paid for transaction services to effect the purchase, the latter of which are digital asset transaction costs. For more information on which types of costs qualify as digital asset transaction costs, see [FAQ 53](#).

**Q57. Do I have income if I provide someone with a service and that person pays me with digital assets? (added Dec. 15, 2025)**

A57. Yes. If you receive property, including digital assets, in exchange for performing services, whether or not you perform the services as an employee, you recognize ordinary income. For more information on compensation for services, see [Publication 525, Taxable and Nontaxable Income](#).

**Q58. How do I calculate my income if I provide a service and receive payment in digital assets? (added Dec. 15, 2025)**

A58. The amount of ordinary income you must recognize is the fair market value of the digital assets, measured in U.S. dollars, when received.

**Q59. I received digital assets in exchange for services I performed. How do I determine my basis in the digital assets I received? (added Dec. 15, 2025)**

A59. If you provided someone with services and received digital assets in exchange, your basis in the digital assets is the fair market value of the digital assets, measured in U.S. dollars, when received, provided that you include the fair market value of the digital assets in income. For more information on basis, see Publication 551, Basis of Assets.

**Q60. Do digital assets received by an independent contractor for performing services constitute self-employment income? (added Dec. 15, 2025)**

A60. Yes. Generally, self-employment income includes all gross income derived by an individual from any trade or business carried on by the individual as other than an employee. Consequently, the fair market value of digital assets received for services performed as an independent contractor, measured in U.S. dollars as of the date of receipt, constitutes self-employment income and is subject to self-employment tax.

**Q61. Do digital assets paid by an employer as remuneration for services performed by an employee constitute wages for employment tax purposes? (added Dec. 15, 2025)**

A61. Yes. Generally, the medium in which remuneration for services is paid is immaterial to the determination of whether the remuneration constitutes wages for employment tax purposes. Consequently, the fair market value of digital assets paid as wages, measured in U.S. dollars at the date of receipt, is subject to federal income tax withholding, Federal Insurance Contributions Act (FICA) tax, and Federal Unemployment Tax Act (FUTA) tax and must be reported on Form W-2, Wage and Tax Statement. See Publication 15 (Circular E), Employer's Tax Guide, for information on the withholding, depositing, reporting, and paying of employment taxes.

**Q62. Will I recognize a gain or loss if I pay for services using digital assets? (added Dec. 15, 2025)**

A62. Yes. If you pay for services using digital assets, then you have disposed of the digital assets in exchange for the services provided and will have capital gain or loss on the disposition, regardless of whether the amounts paid also qualify as digital asset transaction costs. For more information on the types of costs that qualify as digital asset transaction costs, see [FAQ 53](#). For more information on capital gains and capital losses, see Publication 544, Sales and Other Dispositions of Assets.

**Q63. How do I calculate my gain or loss if I pay for services received using digital assets? (added Dec. 15, 2025)**

A63. Your gain or loss on the disposition of your digital assets for services received is the difference between your adjusted basis in the disposed digital assets and your amount realized on the disposition. Your amount realized equals the fair market value of any services received (including any services received to effect the disposition of your digital assets), reduced by the amounts you paid for transaction services to effect the disposition of your digital assets. The amounts paid by you for these transaction services are also known as digital asset transaction costs. You should report your gain or loss from the disposition of your digital assets on your federal income tax return in U.S. dollars. For more information on gain or loss from sales or exchanges, see Publication 544, Sales and Other Dispositions of Assets. For more information on the types of costs that qualify as digital asset transaction costs, see [FAQ 53](#).

**Q64. Will I recognize a gain or loss if I exchange digital assets for other property (including other digital assets differing materially in kind or extent or debt instruments issued as a part of the transaction)? (added Dec. 15, 2025)**

A64. Yes. If you exchange digital assets for other property, including for other digital assets differing materially in kind or extent or debt instruments issued as a part of the transaction, you will recognize a capital gain or loss. For more information on calculating gain or loss from disposing of digital assets for other property, including other digital assets, see [FAQs 65](#) through 67.

**Q65. How do I calculate my gain or loss if I exchange digital assets for other property (other than digital assets differing materially in kind or extent or debt instruments issued as a part of the transaction)? (added Dec. 15, 2025)**

A65. Your gain or loss on the disposition of your digital assets for other property (not including digital assets differing materially in kind or extent or debt instruments issued as a part of the transaction) is the difference between your adjusted basis in the disposed digital assets and your amount realized on their disposition. Your amount realized equals the sum of the fair market value of the other property you received plus the fair market value of the transaction services you received to effect the exchange, reduced by any digital asset transaction costs allocable to the disposition of the digital assets. You should report your gain or loss from the sale of digital assets on your federal income tax return in U.S. dollars. For more information on gain or loss from sales or exchanges, see Publication 544, Sales and Other Dispositions of Assets. For more information on the types of costs that qualify as digital asset transaction costs, see [FAQ 53](#).

**Q66. How do I calculate my gain or loss if I exchange digital assets for other digital assets differing materially in kind or extent? (added Dec. 15, 2025)**

A66. Your gain or loss on the exchange of your digital assets for other digital assets is the difference between your adjusted basis in the transferred digital assets and your amount realized on the exchange. Your amount realized equals the sum of the fair market value of the digital assets you received plus the fair market value of the transaction services you received to effect the exchange reduced by certain

transaction costs allocable to the disposition of the transferred digital assets. You should report your gain or loss from the sale of digital assets on your federal income tax return in U.S. dollars.

**Q67. How do I calculate my gain or loss if I exchange digital assets for a debt instrument issued by the purchaser as a part of the transaction? (added Dec. 15, 2025)**

A67. Your gain or loss on the exchange of your digital assets for a debt instrument issued by the purchaser as a part of the transaction is the difference between your adjusted basis in the transferred digital assets and your amount realized on the exchange. Your amount realized generally is equal to the issue price of the debt instrument issued as a part of the transaction. The issue price of the debt instrument is determined under §§ 1.1273-2 or 1.1274-2, whichever is applicable. If, however, the issue price of the debt instrument is determined under section 1273(b)(4), the amount realized attributable to the debt instrument is its stated principal amount reduced by any unstated interest (as determined under section 483).

**Q68. How do I determine my basis in property (not including other digital assets differing materially in kind or extent or debt instruments issued as a part of the transaction) I receive in exchange for digital assets? (added Dec. 15, 2025)**

A68. If you transfer your digital assets to someone and receive other property (not including other digital assets differing materially in kind or extent or debt instruments issued as a part of the transaction) in exchange, your basis in the property received generally equals the fair market value of the property received at the time of the exchange. Your basis in the property received does not include any amounts paid by you for transaction services to effect the transfer of the digital assets. Instead, you may reduce your amount realized on your disposed digital assets by any amounts paid by you for transaction services to effect this transaction. For more information on how to determine your basis in other digital assets differing materially in kind or extent that you receive

in exchange for your transferred digital assets, see [FAQ 71](#). For information on basis generally, see [Publication 551, Basis of Assets](#). For more information on digital asset transaction costs, see [FAQ 53](#).

**Q69. Will I recognize a gain or loss if I exchange property for digital assets differing materially in kind or extent? (added Dec. 15, 2025)**

A69. Yes. If you transfer property held as a capital asset in exchange for digital assets differing materially in kind or extent, you will recognize a capital gain or loss. If you transfer property that is not a capital asset in exchange for digital assets, you will recognize an ordinary gain or loss. For more information on gains and losses, see Publication 544, Sales and Other Dispositions of Assets.

**Q70. How do I calculate my gain or loss if I exchange property for digital assets differing materially in kind or extent? (added Dec. 15, 2025)**

A70. If you exchange your property for digital assets differing materially in kind or extent, your gain or loss on the disposition of your property is the difference between the fair market value of the digital assets when received and your adjusted basis in the property exchanged. For more information on gain or loss from sales or exchanges, see [Publication 544, Sales and Other Dispositions of Assets](#).

**Q71. I received digital assets in exchange for other property (not including other digital assets differing materially in kind or extent or debt instruments issued as a part of the transaction) and paid cash for services to effect the exchange. How do I determine my basis in the digital assets I received? (added Dec. 15, 2025)**

A71. Your basis in digital assets received in exchange for other property (but not including other digital assets differing materially in kind or extent or debt instruments issued as a part of the transaction) is its cost, which is the same as the fair market value used in determining your amount realized on the sale or disposition of the transferred property. To

the extent that the amounts paid for services to effect the purchase of the digital assets qualify as digital asset transaction costs, you also may increase your basis by these amounts. You may not allocate these costs in any other manner. For information on how to calculate your basis in digital assets received for other digital assets differing materially in kind or extent, see [FAQ 72](#). For more information on the types of costs that qualify as digital asset transaction costs, see [FAQ 53](#). For more information on basis, see [Publication 551, Basis of Assets](#).

**Q72. How do I calculate my basis in digital assets I received in exchange for other digital assets differing materially in kind or extent? (added Dec. 15, 2025)**

A72. If you exchange digital assets for other digital assets differing materially in kind or extent, your basis in the digital assets received is their cost, which is the same as the fair market value used in determining the amount realized on the disposition of your transferred digital assets. You may not include any digital asset transaction costs paid to effect the exchange in the basis of the digital assets you received because this cost was allocable to the digital assets that you disposed of. For more information on how to allocate digital asset transaction costs paid to effect the exchange of digital assets for other digital assets differing materially in kind or extent, see [FAQ 66](#).

**Q73. How do I calculate my basis in digital assets I received in exchange for a debt instrument that I issued to acquire the digital assets? (added Dec. 15, 2025)**

A73. If you issue a debt instrument to acquire digital assets, your basis in the digital assets received is the amount determined under §1.1012-1(g), plus any allocable digital asset transaction costs. In general, the amount determined under §1.1012-1(g) is the issue price of the debt instrument as determined under §§1.1273-2 or 1.1274-2, whichever is applicable. If, however, the issue price of the debt instrument is determined under section 1273(b)(4), the amount determined under §1.1012-1(g) is the instrument's stated principal amount reduced by any unstated interest (as determined under section 483).

**Q74. When does my holding period begin for digital assets I acquire in an exchange of digital assets for other digital assets differing materially in kind or extent? (added Dec. 15, 2025)**

A74. Your holding period in the acquired digital assets begins the day after they are received.

**Q75. I received digital assets as a bona fide gift. Do I have income? (added Dec. 15, 2025)**

A75. No. If you receive digital assets as a bona fide gift, you will not recognize income until you sell, exchange, or otherwise dispose of those digital assets. For more information about gifts, see [Publication 559, Survivors, Executors, and Administrators](#).

**Q76. How do I determine my basis in digital assets that I received as a bona fide gift? (added Dec. 15, 2025)**

A76. To compute the basis of digital assets you receive as a gift, you may need to know its adjusted basis in the hands of the donor immediately before it was given to you, the fair market value of the digital assets just before they were given to you, and any gift tax the donor paid as a result of making the gift. For purposes of determining whether you have a gain when you sell digital assets you received as a gift, your basis is equal to the donor's basis, plus any gift tax the donor paid on the gift. For purposes of determining whether you have a loss, your basis is equal to the lesser of the donor's basis or the fair market value of the digital assets at the date and time you received the gift. If you do not have any documentation to substantiate the donor's basis, then your basis is zero. For more information on basis of property received as a gift, see [Publication 551, Basis of Assets](#).

**Q77. What is my holding period for digital assets that I received as a bona fide gift? (added Dec. 15, 2025)**

A77. Your holding period in digital assets received as a bona fide gift includes the time that the digital asset was held by the person from whom you received the gift. However, if you do not have documentation substantiating that person's holding period, then your holding period begins the day after you receive the gift. For more information on holding periods, see [Publication 544, Sales and Other Dispositions of Assets](#).

**Q78. How do I calculate my charitable contribution deduction when I donate a digital asset? (added Dec. 15, 2025)**

A78. If you have held the digital asset for more than one year, your charitable contribution deduction is generally equal to the fair market value of the digital asset at the time of the donation but does not include any amounts paid by you to effect the transfer. If you have held the digital asset for one year or less at the time of the donation, your deduction is generally equal to the lesser of your basis in the digital asset or the digital asset's fair market value at the time of the contribution but does not include any amounts paid by you to effect the transfer. If the charitable contribution deduction claimed would be more than \$5,000, a qualified appraisal is required to qualify for the deduction. If the charitable contribution deduction claimed would be more than \$500,000, you must attach a copy of the qualified appraisal to the tax return for the year in which you claimed the deduction. For more information on charitable contribution deductions, including on your substantiation responsibilities, see [Publication 526, Charitable Contributions](#).

**Q79. When my charitable organization accepts donations of digital assets, does the organization have donor acknowledgment responsibilities? (added Dec. 15, 2025)**

A79. A charitable organization can assist a donor by providing the contemporaneous written acknowledgment that the donor must obtain if claiming a deduction of \$250 or more for the digital asset donation. See Publication 1771, Charitable Contributions Substantiation and Disclosure Requirements, for more information. A charitable organization is

generally required to sign the donor's Form 8283, Noncash Charitable Contributions, acknowledging receipt of charitable deduction property if the donor is claiming a deduction of more than \$5,000 and if the donor presents the Form 8283 to the organization for signature to substantiate the tax deduction. The signature of the donee on Form 8283 does not represent concurrence in the appraised value of the contributed property. The signature represents acknowledgement of receipt of the property described in Form 8283 on the date specified and that the donee understands the information reporting requirements imposed by section 6050L on dispositions of the donated property (see discussion of Form 8282 in [FAQ 37 in Frequently Asked Questions on Virtual Currency Transactions](#)). For more information, see the [instructions to Form 8283](#).

**Q80. When my charitable organization accepts digital asset donations, does the organization have IRS-reporting requirements? (added Dec. 15, 2025)**

A80. Yes. A charitable organization that receives a digital asset donation should treat the donation as a noncash contribution. See Publication 526, Charitable Contributions, for more information. A tax-exempt charity is responsible for, among other things, reporting non-cash contributions on a Form 990-series annual return and its associated Schedule M, if applicable. Refer to the Form 990 and Schedule M instructions for more information. A charity must file Form 8282, Donee Information Return, if the charity sells, exchanges or otherwise disposes of charitable deduction property (or any portion thereof) - such as the sale of a digital asset for U.S. dollars or similar currency - within three years after the date it originally received the property and give the original donor a copy of the form. See the instructions on [Form 8282](#) for more information.

**Q81. I own multiple wallets, accounts, or addresses, all of which are capable of holding digital assets. Must I recognize income, gain, or loss, if I transfer my digital assets from one wallet, account, or address, to another? (added Dec. 15, 2025)**

A81. No. If you transfer digital assets from a wallet, address, or account belonging to you, to another wallet, address, or account that also belongs to you, then the transfer is a non-taxable event, except to the extent of any digital assets you use, or are withheld, to pay for transaction services to effect the transfer. For more information on the treatment of digital asset transaction costs, see [FAQ 53](#).

**Q82. I hold, in a single unhosted wallet, units of the same digital asset. These units are not held in the custody of a broker. Rather, I control the wallet that stores, electronically or otherwise, the private keys necessary to transact with these units. I intend to sell, dispose of, or transfer less than all of these units in a transaction to be completed on or after Jan. 1, 2025. How do I identify the basis and holding period of the units sold, disposed of, or transferred? (added Dec. 15, 2025)**

A82. If you sell, dispose of, or transfer less than all of your units of the same digital asset held in a single unhosted wallet, you may identify the basis and holding period of any units to be sold, disposed of, or transferred from your unhosted wallet, provided you meet certain requirements. First, no later than the date and time of the sale, disposition, or transfer, you must identify the particular units to be sold, disposed of, or transferred on your books and records, by using any identifier, such as purchase date and time or the purchase price for the unit, that is sufficient to identify the units sold, disposed of, or transferred. Second, you must maintain adequate records for the units to establish that units sold, disposed of, or transferred were removed from the unhosted wallet. If you satisfy those two requirements, your identification is considered to be a “specific identification” of the basis and holding period of the digital asset units that were sold, disposed of, or transferred.

**Q83. I hold units of the same digital asset in a hosted wallet with a provider who provides custodial services but does not act as a broker with respect to these units. I acquired the units at different times and intend to sell, dispose of, or transfer less than all of these units in this wallet. How do I identify the basis and holding period of the units to be sold, disposed of, or transferred? (added Dec. 15, 2025)**

A83. If the provider of the hosted wallet is not a broker, you may identify the basis and holding period of the particular units to be sold, disposed of, or transferred by you from your hosted wallet by satisfying the specific identification requirements described in FAQ 82. For more information on how to identify the basis and holding period of the units to be sold, disposed of, or transferred held in the custody of a broker, see [FAQs 84](#) and [85](#).

**Q84. I hold units of the same digital asset in my account in the custody of my broker, all of which were acquired by me at different times. I also intend to sell, dispose of, or transfer less than all of these units during 2025. How do I identify the holding period and basis of the units to be sold, disposed of, or transferred? (added Dec. 15, 2025)**

A84. If you sell, dispose of, or transfer units in your account in the custody of a broker on or before December 31, 2025, under the temporary relief provided by Notice 2025-7, you may adequately identify the holding period and basis of these units in one of two ways. First, no later than the date and time of the sale, disposition, or transfer, you may identify the particular units to be sold, disposed of, or transferred on your books and records by using any identifier, such as purchase date and time or the purchase price for the unit, that is sufficient to identify the basis and holding period of the units sold, disposed of, or transferred. Second, you may adequately identify the holding period and basis of these units by recording a standing order on your books and records, provided that the recorded standing order includes sufficient information to identify any

digital asset units sold, disposed of, or transferred and is entered into the books and records before the units covered by the order are sold, disposed of, or transferred. For more information, see [Notice 2025-7](#)

[PDF](#). Finally, you may also identify such units in accordance with [FAQ 83](#).

**Q85. I hold units of the same digital asset in my account in the custody of my broker, all of which were acquired by me at different times. I intend to sell, dispose of, or transfer less than all of these units after December 31, 2025. How do I identify the holding period and basis of the units to be sold, disposed of, or transferred? (added Dec. 15, 2025)**

A85. You may identify the units to be sold, disposed of, or transferred from your account, provided that you: (1) specify to the broker having custody of the units, no later than the date and time of sale, disposition, or transfer, the particular units of the digital asset to be sold, disposed of, or transferred, using the identifiers designated by your broker as sufficiently specific to allow the broker to determine the basis and holding period of those units; and (2) maintain adequate records to substantiate the identification. For example, your broker may designate identifiers such as purchase date and time or purchase price paid for the units as sufficiently specific. Such a designation of identifiers is solely within the discretion of your broker.

**Q86. I hold units of the same digital asset in an unhosted wallet, all of which were acquired by me on different dates. I sold less than all the units but failed to satisfy the requirements of a specific identification described in FAQ 82. How do I identify the basis and holding period of the units sold, disposed of, or transferred? (added Dec. 15, 2025)**

A86. If you sell, dispose of, or transfer less than all of your units of the same digital asset from an unhosted wallet and fail to satisfy the requirements of a specific identification, as described in [FAQ 82](#), you must identify the units sold, disposed of, or transferred, using the default

identification rule. Under this rule, you must treat the basis and holding period of the units sold, disposed of, or transferred as sold, disposed of, or transferred in order of time from the earliest date on which units of the same digital asset in this wallet were acquired by you, regardless of the date on which any such units were transferred into the wallet.

**Q87. I hold units of the same digital asset, all of which were acquired by me at different times during 2025, in a hosted wallet. I sold, disposed of, or transferred less than all of these units from this wallet but failed to satisfy the requirements, described in FAQs 84 or 85 for making a specific identification. How must I identify the basis and holding period of the units sold, disposed of, or transferred? (added Dec. 15, 2025)**

A87. If you sell, dispose of, or transfer less than all of your units of the same digital asset from your hosted wallet but fail to satisfy the requirements for making a specific identification, as described in [FAQs 84](#) (for a sale in 2025) or [85](#) (for a sale after December 31, 2025), you must identify the units sold, disposed of, or transferred, using the default identification rule. Under this rule, you must treat the basis and holding period of the units sold, disposed of, or transferred as sold, disposed of, or transferred in order of time from the earliest date on which units of the same digital asset in this wallet were acquired by you, regardless of the date on which any such units were transferred into the wallet.

**Q88. I hold units of a digital asset in the custody of a broker, some of which I intend to sell, dispose of, or transfer. Instead of identifying the units to be sold, disposed of, or transferred on a per-transaction basis, may I make my identifications by providing the broker a standing order or instruction, that is, a predetermined set of parameters? (added Dec. 15, 2025)**

A88. Yes. For transactions completed in 2025, under the temporary relief provided by [Notice 2025-7](#) [PDF](#), you may identify the basis and holding period of the units to be sold, disposed of, or transferred by recording a standing order on the taxpayer's books and records (that is, without communicating the standing order to your broker), provided that the recorded standing order includes sufficient information to identify any digital asset units sold, disposed of, or transferred and is entered into the taxpayer's books and records before the units covered by the order are sold, disposed of, or transferred.

For transactions completed after December 31, 2025, you may identify the basis and holding period of the units to be sold, disposed of, or transferred using a standing order or instruction, provided: (1) you have the standing order or instruction in place with the custodial broker no later than the date and time of the sale, disposition, or transfer; (2) your standing order or instruction uses the identifiers designated by the broker as sufficiently specific to allow the broker to identify the basis and holding period of the particular units of the digital asset to be sold, disposed of, or transferred; and (3) you maintain adequate records to substantiate the identifications.

**Q89. I hold units of the same digital asset in an account in the custody of a broker, all of which were acquired by me at different times. The broker offers its customers only one method of identifying the basis and holding period of units to be sold, disposed of, or transferred from their custodial accounts. Must I use the broker's sole method of identifying the basis and holding period of the particular units sold, disposed of, or transferred if I sell, dispose of, or transfer the digital assets after December 31, 2025? (added Dec. 15, 2025)**

A89. Yes. If your broker offers only one method of identifying the basis and holding period of units sold, disposed of, or transferred from an account held in the custody of the broker, such method is treated as a standing order or instruction, and you may not use any other method of identifying the basis and holding period.

**Q90. I hold units of the same digital asset in an account in the custody of a broker, all of which were acquired by me at different times. The broker offers its customers only one method of identifying the basis and holding period of units to be sold, disposed of, or transferred from their custodial accounts during 2025. I am identifying basis and holding period of the particular units sold, disposed of, or transferred in accordance with the temporary relief provided in Notice 2025-7. Must I use the broker's sole method of identifying the basis and holding period of the particular units sold, disposed of, or transferred? (added Dec. 15, 2025)**

A90. No. If your broker offers only one method of identifying the basis and holding period of units sold, disposed of, or transferred from an account held in the custody of the broker, and you make an adequate identification in accordance with the temporary relief provided in [Notice 2025-7](#) [PDF](#) during 2025, you are not required to treat the method offered by the broker as a standing order or instruction.

**Q91. I exchanged digital assets held in the custody of my broker for other digital assets differing materially in kind or extent. My broker withheld and sold units of the same digital asset I received for: (1) backup tax withholding, and (2) payment for services rendered by the broker to effect the original exchange. May I make a separate identification of the withheld units when these units are sold? (added Dec. 15, 2025)**

A91. No. The withheld units, regardless of any other identification made by you, are deemed to be adequately identified by you to your broker as coming from the units sold. For more information on the treatment of digital asset transaction costs, see [FAQ 53](#).

**Q92. I hold units of the same digital asset in an account in the custody of my broker. The broker offers customers more than one method for identifying the basis and holding period of units sold, disposed of, or transferred. I notify my broker to sell, dispose of, or transfer less than all of the units in the account but fail to provide the broker with a specific identification, as described in FAQ 82, of the particular units to be sold, disposed of, or transferred by the date and time of the transaction. If I am not relying on the temporary relief provided in Notice 2025-7 to make a specific identification as defined in FAQ 82, how will the basis and holding period of my units sold, disposed of, or transferred be identified? (added Dec. 15, 2025)**

A92. If you are not relying on the temporary relief provided in [Notice 2025-7](#)  to make an adequate identification and you sell, dispose of, or transfer less than all the units of the same digital asset held in the custody of your broker without communicating to your custodial broker a specific identification, as described in [FAQ 82](#), of the basis and holding period of the units sold, disposed of, or transferred, then you and the custodial broker must treat the units as sold, disposed of, or transferred in order of time from the earliest date on which units of the same digital asset held in the custody of a broker were acquired by you without regard to the date or dates on which you transferred the units to the broker.

**Q93. Prior to Jan. 1, 2025, I held units of a digital asset in a combination of unhosted wallets or exchange accounts and sold, disposed of, or transferred units from one wallet or account but identified the basis and holding period of these units by either making a specific identification or applying the first-in, first-out (FIFO) approach, that is, making a deemed identification of the units sold, disposed of, or transferred in a chronological order beginning with the earliest unit purchased or acquired. When either making a specific identification or applying the FIFO rule, I did not limit my identification to units held in a single wallet or account. In effect, I sold, disposed of, or transferred units from one wallet or account but effectively treated the units sold, disposed of, or transferred as coming from a different wallet or account (collectively referred to as the “universal” or “multi-wallet” approach). May I allocate my unused basis from units of a digital asset sold, disposed of, or transferred before Jan. 1, 2025, within one wallet or account to other units of the same digital asset within a different wallet or account still held by me as of Jan. 1, 2025? (added Dec. 15, 2025)**

A93. [Rev. Proc. 2024-28](#) [PDF](#) offers a safe harbor that generally permits eligible taxpayers to rely on any reasonable allocation of units of unattached basis to a digital asset wallet or account that holds the same number of remaining digital asset units based on the taxpayer's records of such unattached basis and remaining units. The allocation must be a reasonable allocation and must be made as of Jan. 1, 2025. A taxpayer, however, may identify the method of allocation and may comply with the safe harbor's requirements at a later date but only to the extent permitted by the safe harbor. To rely on the safe harbor, a taxpayer must meet certain eligibility and other requirements.

**Q94. Can I make adequate identifications in accordance with the temporary relief provided in Notice 2025-7 if I rely on the safe harbor in Rev. Proc. 2024-28? (added Dec. 15, 2025)**

A94. Yes. You may make adequate identifications in accordance with the temporary relief provided in [Notice 2025-7](#) [PDF](#), but only after all applicable requirements of Rev. Proc. 2024-28 have been completed.

**Q95. What records do I need to maintain regarding my transactions in digital assets? (added Dec. 15, 2025)**

A95. The Internal Revenue Code and regulations require taxpayers to maintain records that are sufficient to establish the positions taken on Federal income tax returns, which may include records documenting receipts, sales, exchanges, dispositions or transfers of digital assets and the fair market value of the digital assets. For more information on maintaining records, see [FAQs 82-85](#).

**Q96. If I create a single duplicate record of all my private keys that are stored within my existing wallets and this duplicate record also stores my private keys, can I treat all of my units of unused basis as held within a single wallet? (added Dec. 15, 2025)**

A96. No. For federal income tax purposes, the creation of a duplicate record of private keys to digital assets does not result in a single wallet that holds all of the digital assets held in the other wallets that originally stored these keys.

**Q97. I used digital assets to pay for transaction services to effect the purchase, sale, disposition, or transfer of digital assets. Do I recognize gain or loss on the digital assets used or withheld to pay for these services? (added Dec. 15, 2025)**

A97. Yes. When you use your digital assets to pay for transaction services to effect your purchase, sale, disposition, or transfer, you have disposed of the digital assets used or withheld for services and recognize gain or loss on the disposition. The amounts paid also may qualify as digital asset transaction costs.

**Q98. I exchanged digital assets for other digital assets differing materially in kind or extent, and digital assets were withheld from the digital assets received as payment of the services provided to effect the exchange. Do I recognize gain or loss on the digital assets withheld to pay for these services? (added Dec. 15, 2025)**

A98. Because the units sold to pay for the transaction services rendered by the broker to effect the original exchange were subtracted from the units you received in the exchange, you recognize no gain or loss on the digital assets withheld. Therefore, you do not need to report the disposition of these withheld units on your federal income tax return.

**Q99. I exchanged digital assets for other digital assets differing materially in kind or extent, and digital assets were withheld from the digital assets received as payment of the services provided to effect the exchange. How do I allocate digital asset transaction costs? (added Dec. 15, 2025)**

A99. If you exchange digital assets for other digital assets differing materially in kind or extent (original transaction), and digital assets are withheld from the digital assets acquired by you in the original transaction to pay for services provided to effect the original transaction and the disposition of the withheld digital assets, the fair market value of the digital assets withheld are treated as digital asset transaction costs. You must allocate the total amount of these costs to effect both the original transaction and the disposition of the withheld digital assets exclusively to the disposition of your digital assets in the original transaction, reducing your amount realized on the digital assets

exchanged in the original transaction. You may not allocate these costs in any other manner. For more information on how to calculate your amount realized if you exchange your digital assets for other digital assets differing materially in kind or extent, see [FAQ 65](#). For more information on what types of costs qualify as digital asset transaction costs, see [FAQ 53](#).

**Q100. I engaged in two exchanges using stablecoins held by me in my custodial account with my broker. In my first exchange, I transferred stablecoins and received in exchange other digital assets differing materially in kind or extent whose fair market value was greater than my basis in the transferred stablecoins. Later during the same taxable year, I transferred stablecoins and received in exchange other digital assets differing materially in kind or extent whose fair market value was less than my basis in the transferred stablecoins. My broker did not report these exchanges to me on either Forms 1099-DA, “Digital Asset Proceeds From Broker Transactions” or substitute statements. Do I recognize capital gains and losses on these exchanges? (added Dec. 15, 2025)**

A100. Yes, if you held your stablecoins as capital assets, you recognize capital gain or loss on their disposition even if your broker does not report the transactions to you using either [Form 1099-DA](#) or a substitute statement. Therefore, you must report these gains or losses on your federal income tax return.

**Q101. I hold nonfungible tokens (NFTs) through my custodial account with my broker. In two separate transactions during the same taxable year, I disposed of these NFTs with my broker effecting the sales. The aggregate gross proceeds from both transactions combined, net of any allocable digital asset transaction costs, was less than \$600. My broker did not report these sales to me on either Forms 1099-DA, Digital Asset Proceeds From Broker Transactions or substitute statements. Do I recognize gains and losses on these exchanges? (added Dec. 15, 2025)**

A101. Yes. You recognize any gain or loss on the disposition of your NFTs even if your broker does not report the transactions to you using either Form 1099-DA or a substitute statement. Therefore, you must report these gains or losses on your federal income tax return.

**Q102. I transferred digital assets and received other property differing materially in kind or extent in exchange. In a second transaction, I paid for services I received using digital assets. Neither the fair market values of the property nor the services I received in these transactions can be determined with reasonable accuracy. How do I determine the fair market values of each? (added Dec. 15, 2025)**

A102. If the fair market value of property (including digital assets) or services you receive in exchange for digital assets you transferred cannot be determined with reasonable accuracy, you must determine their fair market value by reference to the fair market value of the digital assets you transferred as of the date and time of the transaction.

**Q103. Do I have income when a soft fork occurs on a distributed ledger on which my digital assets are recorded immediately before the soft fork occurs? (added Dec. 15, 2025)**

A103. No. A soft fork occurs when a distributed ledger undergoes a protocol change that does not result in a diversion of the ledger and thus does not result in the creation of a new digital asset. Because soft forks generally do not result in you receiving a new digital asset, you will be in the same position you were in prior to the soft fork, meaning that the soft fork will not result in any income to you.

**Q104. One of my digital assets was affected by a hard fork but I did not receive any new digital assets. Do I have income? (added Dec. 15, 2025)**

A104. A hard fork occurs when a digital asset undergoes a protocol change resulting in a permanent diversion from the legacy distributed ledger. This may result in the creation of a new digital asset on a new distributed ledger in addition to the legacy digital asset on the legacy distributed ledger. If your cryptocurrency went through a hard fork, but you did not receive any new digital assets, you don't have taxable income.

**Q105. One of my digital assets was affected by a hard fork and I received new digital assets. Do I have income? (added Dec. 15, 2025)**

A105. If you receive new digital assets following a hard fork, you will have taxable income in the taxable year you receive the new digital assets, if you have dominion and control over the digital assets in that year. You have dominion and control over the digital assets at the time you can transfer, sell, exchange, or otherwise dispose of the digital assets, which is generally the time the hard fork is recorded on the distributed ledger. See [Rev. Rul. 2019-24](#) .

**Q106. How do I calculate my income from digital assets I received following a hard fork? (added Dec. 15, 2025)**

A106. When you receive digital assets following a hard fork, you will have ordinary income equal to the fair market value of the new digital assets when they are received, which generally is when the transaction is recorded on the distributed ledger, provided you have dominion and control over the digital assets. For more information on what constitutes dominion and control, see [FAQ 105](#).

**Q107. How do I determine my basis in digital assets I received following a hard fork? (added Dec. 15, 2025)**

A107. If you receive digital assets following a hard fork, your basis in those digital assets is equal to the amount you included in income on your federal income tax return. The amount included in income is the fair market value of the digital assets when you received them. You have received the digital assets when you have dominion and control over the digital assets, which is generally the date and time the hard fork is recorded on the distributed ledger. For more information on basis, see Publication 551, Basis of Assets. For more information on what constitutes dominion and control, see [FAQ 105](#).

**Q108. If I engage in a taxable transaction involving digital assets but do not receive a payee statement or information return such as a Form W-2, or Form 1099, when must I report my income, gain, or loss on my federal income tax return? (added Dec. 15, 2025)**

A108. You must report income, gain, or loss from all taxable transactions involving digital assets on your federal income tax return for the taxable year of the transaction, regardless of the amount or whether you receive a payee statement or information return.

**Q109. Where do I report my capital gain or loss from digital assets? (added Dec. 15, 2025)**

A109. Individuals must report sales and other capital transactions involving digital assets and calculate capital gain or loss in accordance with IRS forms and instructions, including on [Form 8949](#) (unless your broker has provided you a [Form 1099-DA](#) with gross proceeds and basis information), Sales and Other Dispositions of Capital Assets, and then summarize capital gains and deductible capital losses on [Form 1040, Schedule D, Capital Gains and Losses](#).

**Q110. Where do I report my ordinary income from digital assets? (added Dec. 15, 2025)**

A110. Individuals must report non-business ordinary income from digital assets on [Form 1040, U.S. Individual Tax Return](#), [Form 1040-SS](#) [PDF](#), [Form 1040-NR](#), or [Form 1040, Schedule 1, Additional Income and Adjustments to Income](#), [PDF](#) as applicable.

**Q111. Where can I find more information about the federal tax treatment of digital assets? (added Dec. 15, 2025)**

A111. Information on the federal tax treatment of digital assets is available at [IRS.gov/digitalassets](https://www.irs.gov/digitalassets).