

US Treasury proposes 4 digital asset-related tax reporting requirements

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President Joe Biden's proposed 2023 budget included four new tax reporting requirements related to digital assets.

The U.S. Department of the Treasury is proposing to amend the securities loan nonrecognition rules so they will be applied to loans of actively traded digital assets if the terms of the loan are similar to those currently required for securities lending. This will modernize rules treating loans of securities as tax-free by including other asset classes, according to the Treasury. The proposal will take effect for taxable years after Dec. 31.

The Treasury is also proposing to require brokers like U.S. digital asset exchanges to report, when reporting regarding digital assets held by passive entities, information connected with the substantial foreign owners of the passive entities. The proposal will be effective for returns required to be filed after Dec. 31, 2023.

Additionally, the department is proposing to require reporting regarding a new third category of asset, which will be any account holding digital assets maintained by a foreign digital asset exchange or other foreign digital asset service provider. Such reporting must be done by taxpayers holding an aggregate value of all three categories of assets in excess of \$50,000. The proposal will take effect for returns required to be filed after Dec. 31.

The Treasury is also proposing to add a third category of assets that may be marked to market at the election of a dealer or trader. The assets will be actively traded digital assets and derivatives on, or hedges of, those digital assets, under rules similar to those applicable to actively traded commodities. The proposal will be effective for taxable years after Dec. 31.

Treasury Secretary Janet Yellen and her delegates will have the authority to identify which digital assets are treated as actively traded, and a digital asset will not be considered a security or commodity for mark-to-market rule purposes, according to the Treasury.

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