The Honorable Janet L. Yellen
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 2020

The Honorable Daniel J. Werfel
Commissioner
Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

July 11, 2023

Dear Secretary Yellen and Commissioner Werfel,

We, the undersigned organizations, write to you today to urge you to, without further delay, publish the guidance and forms necessary to ensure proper reporting of digital asset transactions to customers and to the IRS.

As you know, Congress mandated this reporting in the bipartisan Infrastructure Investment and Jobs Act. The tax information reporting requirements enacted by this law are estimated to raise nearly $28 billion through 2031.

These reporting standards do three things: 1) Require third-party brokers to report identifying information of their customers and the gross proceeds of digital assets sales to their clients and the Internal Revenue Service (IRS); 2) Identify digital assets as "specified securities," which means brokers must include "basis" in reporting on digital assets (the value used as the starting point for calculating any gain or loss, like what is required for stocks, bonds, commodities and other assets) and report whether gains or losses are short or long term, affecting tax rates; and 3) extend reporting requirements on cash payments exceeding $10,000 to digital assets. In short, these updated reporting requirements clarify that digital asset brokers, investors and filers have to follow the same rules as anyone else.[1]

These requirements would be beneficial in several ways. First, they would make it easier for taxpayers to understand and comply with their tax obligations. Second, more accurate and timely reporting of digital asset-related tax obligations would improve tax compliance, increase efficiency, and ensure audits focus on the most egregious actors – all of which would likely raise substantial revenue. Third, these clarifications would improve the integrity of the tax system and help prevent and pursue digital asset-related tax evasion, eliminating an unfair advantage that favors tax cheats at the expense of honest filers.

A May 2022 analysis by Barclays Plc estimated that investors are collectively not paying the IRS at least half of the taxes they owe on virtual currency trades.That amount of avoided or evaded tax payments could amount to about $50 billion a year, or about 10% of all unpaid taxes in the

[1] For further analysis on these reporting requirements, please see the NYU Tax Law Center's Blog, "Treasury and the IRS Should Issue Digital Asset Broker Reporting Guidance Quickly", June 21, 2023

US.[2] This estimate also doesn't include potential additional unpaid taxes owed from digital asset trading associated with decentralized finance, so the volume of taxes owed may be significantly larger than this estimate.

The Treasury Department and the IRS have issued multiple reports and public statements describing in detail the extent to which tax evasion is widespread throughout the digital asset industry, and how such activity is also deeply intertwined with other forms of illicit finance facilitated by digital assets, which pose additional national and economic security threats for the U.S. and the global economy.

The Biden Administration has made reducing tax evasion, lowering deficits, and increasing clarity for tax filers (to help limit unnecessary and inefficient audits on accurate and honest filers) major priorities. More accurate and timely reporting on taxes owed from digital asset transactions is a key strategy for achieving these goals. Additionally, Treasury and the IRS have an obligation to implement guidance on these reporting standards given it is a statutory requirement. Given this, Members of Congress have similarly urged Treasury to proceed with issuing this final guidance.[3] Lastly, doing so would generate significant increases in revenue without requiring further action by Congress – an important and attractive feature, given the ongoing political wrangling over budget and spending proposals.

Reports indicate that this guidance was reviewed and signed off on months ago by the Office of Information and Regulatory Affairs - typically the last step before finalization of new regulations.[4] If Treasury fails to publish this guidance quickly, billions of dollars in taxes already owed may go unreported and unpaid. In particular, if these proposed regulations are not issued soon, there is a risk Treasury will have to delay implementation of these reporting requirements for an additional year, guaranteeing additional lost revenues, uncertainty for honest filers and a reprieve for egregious tax evaders.

If Treasury fails to issue the finalized guidance in a timely manner, it will be even more important for Treasury, the IRS and other federal government agencies to proactively use other means and methods to ensure the digital asset industry's compliance with tax reporting requirements and other associated regulatory requirements in the interim, to have the best chance at mitigating the loss in revenue and oversight that will likely stem from delayed implementation.

Thank you for your consideration of this request. We look forward to your reply.

Signed,

Americans for Financial Reform Education Fund

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[2] https://www.bloomberg.com/news/articles/2022-05-11/crypto-investors-likely-paying-less-than-half-the-taxes-they-owe?sref=f7rH2jWS

[3] https://sherman.house.gov/media-center/press-releases/sherman-urges-full-tax-compliance-for-the-crypto-industry

[4] https://www.politico.com/news/2023/06/26/crypto-tax-regulations-00101937

Center for American Progress

Consumer Reports

Demand Progress Education Fund

Institute on Taxation and Economic Policy (ITEP)

Main Street Alliance

Public Citizen

Texas Appleseed

The FACT Coalition