



TESTIMONY OF

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Since the advent of Bitcoin in 2009, millions of everyday Americans have transacted using cryptocurrencies and then faced the unenviable task of determining how to report and pay taxes on those transactions.

Bitcoin was a technical breakthrough because it made possible a publicly accessible network for sending value on a peer-to-peer basis, much as the internet made possible a publicly accessible network for sharing information. For many, this technology offers something genuinely important and unique: the ability to transact over the internet without depending on a bank, payment processor, or other intermediary that may censor, surveil, or extract rents from those transactions. As Americans, we should recognize the value of a technology that enables open participation and gives individuals greater freedom in how they communicate and exchange value online.

The challenge is that our tax regime remains largely premised on the assumption that financial activity flows through intermediaries that can track, report, and summarize transactions for users. That assumption often does not hold for open cryptocurrency networks and, as a result, the current tax system poses significant obstacles to ordinary participation in peer-to-peer crypto activity. A taxpayer who uses crypto is often expected to maintain detailed records of virtually every transaction, track ever-changing market values, determine the tax treatment of technologically complex activities, and calculate gains or losses on transactions that may involve only a few dollars. What may feel to a user like sending a simple electronic payment, using an app on their phone, or even playing a video game and receiving a reward can trigger tax consequences that require substantial recordkeeping and analysis. The result is a

compliance burden that is often out of proportion to the amount of tax at stake and what we would expect of individual taxpayers in similar scenarios.

According to a 2025 Federal Reserve survey, approximately 10 percent of U.S. adults used cryptocurrencies in the prior year.¹ Other surveys show widespread confusion among crypto users about how to report their taxes.² Whatever one's views of this technology, millions of taxpayers are already affected by these rules today. Congress should continue moving toward legislation because the current environment is confusing for American taxpayers, difficult for the IRS to administer, and poorly suited to the way open cryptocurrency networks actually function.

Coin Center is encouraged by the Committee's work here today. At Coin Center, our mission is to defend the rights of individuals to build and use free and open cryptocurrency networks. We are not a trade association, and we are not here to seek lower tax rates to benefit a particular industry. We approach tax policy from the perspective of whether the law fairly treats individuals who wish to participate in these networks without unnecessary compliance burdens.³

To that end, Coin Center seeks equal tax treatment for crypto as compared to other comparable transaction and asset activity. We do not object to the general treatment of cryptocurrencies as property, and we recognize that taxpayers generally must pay capital gains tax when they dispose of appreciated assets. But applying property tax rules to crypto requires an understanding of how these networks work. Unlike most forms of property, cryptocurrencies can be used with the frequency of a payment system, without an intermediary, and in technologically complex settings where the user may experience the activity as little more than sending a payment, using an application, or interacting with software.

The bills before the Committee address several distinct sources of complexity in the taxation of cryptocurrencies, including small everyday transactions, simplified accounting, network validation, charitable giving, and anti-abuse rules. Although these issues arise in different

¹ Board of Governors of the Federal Reserve System, *Economic Well-Being of U.S. Households in 2025* (May 2026), <https://www.federalreserve.gov/publications/files/2025-report-economic-well-being-us-households-202605.pdf>.

² Kraken, *Survey: 61% of crypto holders adjust tactics to navigate tax complexity & protect returns* (Jan. 23, 2025), <https://www.kraken.com/learn/crypto-taxes-survey> (survey of 986 U.S. cryptocurrency holders finding that 89% of respondents reported confusion about at least one aspect of cryptocurrency taxation and 49% reported challenges filing crypto taxes).

³ See Jason Somensatto, *Six Ways Congress Can Make Crypto Taxes Work for Everyday Users*, Coin Center (Jan 2026), <https://coincenter.org/six-ways-congress-can-make-crypto-taxes-work-for-everyday-users/>.

contexts, they share a laudable common goal of reducing unnecessary compliance burdens while preserving the government’s ability to collect taxes that are lawfully owed.

Providing relief for *de minimis* transactions

Congress has long recognized that some transactions technically produce taxable income but are not worth the compliance burden required to measure and report them accurately. The issue is not whether a gain exists in theory, but whether requiring taxpayers to calculate and report that gain justifies the administrative cost.

This has been done explicitly in the case of an exemption for personal transactions of less than \$200 involving foreign currencies.⁴ But this also occurs more broadly through enforcement discretion. When someone agrees to sell a rug on Facebook Marketplace, they often do not worry about IRS agents asking them whether they properly calculated the basis and disposition price of the rug for tax purposes. Similarly, 12 year olds throughout the country have been trading baseball cards among each other without filing Form 1040s aggregating their capital gains and losses.

The point is not that these transactions are outside the tax law in theory. The point is that the tax system has never realistically expected ordinary Americans to perform capital-gains accounting for every low-value exchange of personal property. Crypto changes the stakes because low-value property dispositions can occur with the frequency of payments. That is why Congress should make explicit for crypto what it has already recognized in the context of foreign currencies: when the tax at stake is minimal and the compliance burden is substantial, a carefully designed *de minimis* rule can improve tax administration rather than undermine it. We are encouraged that the *Less Tax Paperwork for Digital Asset Owners Act* attempts to provide such relief and look forward to further reviewing Rep. Yakym’s bill.

Offering elective simplified tax accounting

The sheer volume of taxable events that can arise from ordinary use of crypto networks creates substantial compliance challenges for taxpayers and the IRS alike. Crypto usage generates an unusually high volume of taxable events, including spending transactions, network interactions, and transfers between protocols.⁵ Unlike most forms of property, cryptocurrencies

⁴ See Taxpayer Relief Act of 1997, Pub. L. No. 105-34, § 1002, 111 Stat. 788, 903 (1997); 26 U.S.C. § 988(e)(2)(B).

⁵ See, e.g., Helius, *Solana Ecosystem Report H1 2025* (Jul. 1, 2025), <https://www.helius.dev/blog/solana-ecosystem-report-h1-2025> (reporting approximately 162 million daily transactions on the Solana network alone during the first half of 2025).

can function simultaneously as investments, payment mechanisms, and tools for interacting with decentralized applications. As a result, taxpayers may be required to track and account for hundreds or even thousands of transactions, each potentially carrying tax consequences. Excessive complexity can undermine voluntary compliance and make accurate reporting more difficult, ultimately harming both taxpayers and tax administration.⁶

At the same time, reducing compliance burdens should not come at the expense of tax compliance or revenue collection. Taxpayers should continue to pay taxes that are lawfully owed. For this reason, Coin Center has previously suggested that Congress consider adapting concepts already found elsewhere in the tax code for taxpayers engaged in high-frequency transaction activity, such as mark-to-market accounting regimes.⁷ An elective simplified accounting method allows taxpayers who value simplicity and certainty to opt into a streamlined system while preserving the ability of others to remain under traditional tax accounting rules. We appreciate the Committee's effort to explore approaches that may reduce compliance burdens for crypto users while continuing to ensure appropriate tax reporting and revenue collection, and we look forward to further reviewing the details of the proposal.

We also note that Rep. Yakym's bill would exempt assets subject to the simplified accounting election from the wash sale rules imposed by the *Applying Existing Tax Anti-Abuse Rules to Digital Assets Act*. Coin Center has previously argued that applying the wash sale rule to cryptocurrencies would significantly increase compliance burdens while providing limited tax-administration benefits in the context of crypto networks.⁸ To the extent this election allows taxpayers to avoid those additional compliance burdens while continuing to report gains and losses under a simplified accounting framework, that is a potentially valuable feature of the proposal.

At the same time, our support for this aspect of the provision should not be understood as support for extending the wash sale rule to crypto generally. We continue to believe Congress should carefully consider whether such an expansion is warranted.⁹ While this election may provide one avenue for some taxpayers to avoid the complexity associated with wash sale compliance, many taxpayers may choose not to make the election or may not qualify for it. We

⁶ See, e.g., Bipartisan Policy Center, *Tax Administration: Compliance, Complexity, and Capacity* (Apr. 8, 2019), <https://bipartisanpolicy.org/report/tax-administration-compliance-complexity-and-capacity/>.

⁷ Somensatto, *Six Ways Congress Can Make Crypto Taxes Work for Everyday Users*, supra note 3 (advocating for a simplified mark-to-market election for taxpayers based on fair market value net gains annually).

⁸ Abraham Sutherland, *The Wash-Sale Rule Would Break Crypto Tax Compliance*, Coin Center (Apr. 2026), <https://coincenter.org/the-wash-sale-rule-would-break-crypto-tax-compliance/>.

⁹ See *id.*

therefore look forward to further evaluating how this proposal would interact with taxpayers who remain subject to traditional realization-based accounting and with the Committee's broader wash sale proposal.

Clarifying tax treatment of block validation rewards

Participation in crypto networks does not only entail sending and exchanging assets in a peer-to-peer manner. These networks function because some participants also choose to play important roles in validating transactions. Indeed, one of the true breakthroughs with the introduction of Bitcoin was the idea that anyone could validate transactions and acquire newly-issued bitcoin for providing computational support to the network.¹⁰ This egalitarian design is central to what makes Bitcoin and other networks decentralized and secure, and is fundamental to their continued operation.

Coin Center has long argued that newly issued cryptocurrencies awarded to validators (i.e., block rewards) should be treated as created property, and under longstanding tax doctrine, new property created through one's own labor or capital is not taxed when created—taxation occurs only upon sale or exchange.¹¹ The IRS's current interpretation treats block rewards as gross income upon "receipt."¹² However, income necessarily entails a payment or transfer from a third party source whereas block rewards are generated from code upon successfully maintaining the network's integrity and operation.

We support Congressional efforts to clarify that block rewards are not taxable at the time they are minted or issued by a protocol to a validator. We appreciate that this issue is addressed by Rep. Carey's *Tax Clarity for Mining and Staking Act* and look forward to further engagement to ensure that block rewards receive appropriate tax treatment.

Allowing use of market valuation for charitable donations

As a charity focused on crypto-related issues, it may not be surprising that many of Coin Center's donors are interested in donating to us using cryptocurrencies. Despite crypto markets

¹⁰ See Peter Van Valkenburgh, *What is Bitcoin mining, and why is it necessary?*, Coin Center (Dec. 15, 2014), <https://coincenter.org/education/advanced-topics/mining/>.

¹¹ See Abraham Sutherland, *Dilution and its discontents: Quantifying the overtaxation of block rewards*, Coin Center (Aug. 2020), <https://coincenter.org/dilution-and-its-discontents-quantifying-the-oftaxation-of-block-rewards/>.

¹² See Internal Revenue Service, Rev. Rule 2023-14, 2023-33 I.R.B. 485, <https://www.irs.gov/pub/irs-drop/rr-23-14.pdf>; Internal Revenue Service, *IRS Virtual Currency Guidance*, IRS Notice 2014-21 (Apr. 14, 2014), <https://www.irs.gov/pub/irs-drop/n-14-21.pdf>.

being incredibly liquid with publicly available price discovery, crypto donations still require a qualified appraisal in contrast to numerous other financial instruments. We are grateful that the Committee has seen to simplifying this process and providing parity with other financial assets by proposing in the Charitable Deductions for Digital Asset Donations Act that certain cryptocurrencies may be valued for donation using reliable market prices.

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To summarize, Congress has an opportunity to modernize the tax treatment of cryptocurrencies without creating special tax preferences. The goal should be straightforward: taxpayers should be able to participate in open cryptocurrency networks, understand their obligations, and comply with the law without extraordinary recordkeeping burdens. We look forward to discussing the matter and working with this committee to get it right.