

May 14, 2026

The Honorable Jason Smith
Chairman
Committee on Ways and Means
U.S. House of Representatives

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives

Dear Chairman Smith, Ranking Member Neal, and Members of the Committee:

The Crypto Council for Innovation (CCI) writes to strongly support the development of a comprehensive legislative tax framework for digital assets and to offer ourselves as well as our members' substantive expertise in helping the Committee craft workable solutions. CCI is a global alliance of the world's leading crypto exchanges, asset managers, infrastructure providers, institutional investors, and fintech companies. Our members collectively serve tens of millions of U.S. customers, manage trillions of dollars in assets, and employ thousands of American workers. We support a fair and sensible digital asset tax framework because we believe that greater clarity will foster compliance, enable consumer use cases, and drive continued industry development here in the United States.

The total crypto asset market capitalization is \$3.2 trillion.¹ One in four Americans own cryptocurrency, and 73% of small business owners expect crypto to increase as a business payment method.² But today, these Americans are forced to operate under a framework that was not designed for digital assets, is riddled with ambiguity, and is pushing market activity, infrastructure, and talent to other jurisdictions. The lack of clear guidance causes different market participants to report identical transactions inconsistently, encourages users to transact on non-U.S. platforms – sending tax revenue overseas – and limits market expansion. We respectfully submit that Congress has both the opportunity and the responsibility to fix this.

¹ CoinGecko, "Global Cryptocurrency Market Caps," updated consistently but accessed as of February 2026. Available at: <https://www.coingecko.com/en/charts>

² See National Crypto Association, "2026 State of Crypto Holders Report," May 2026. Available at: <https://nca.org/resources> and Paypal Newsroom, "Crypto Goes Mainstream: 4 in 10 U.S. Merchants Accept Digital Assets," January 27, 2026. Available at: <https://newsroom.paypal-corp.com/2026-01-27-Crypto-Goes-Mainstream-4-in-10-US-Merchants-Accept-Digital-Assets>

CCI's Guiding Principles for Digital Asset Tax Legislation

Tax legislation must be grounded in the following principles, which reflect the shared view of CCI's membership:

- **Parity:** Tax policy should not impose punitive or inconsistent treatment on digital assets simply because the technology is newer. Digital asset transactions that are economically equivalent to traditional financial transactions should be subject to equivalent tax treatment
- **Fostering Innovation:** The tax framework should preserve and encourage continued innovation in blockchain technologies and the development of decentralized protocols.
- **Preserving Core Infrastructure:** Activities essential to securing and maintaining blockchain networks, such as staking and mining, should not be discouraged by overly complex or burdensome tax treatment.
- **Use Case Enablement:** Tax policy should not create disincentives for key applications, including the use of digital assets for payments and remittances.
- **Global Competitiveness:** Tax policy should foster U.S. leadership in digital assets and reflect the strategic importance of this technology to the future of global commerce.

I. Stablecoin Tax Issues

CCI members include leading payment processors, wallet providers, and consumer facing platforms that have invested heavily in stablecoin infrastructure. Current law creates serious friction that legislation should remedy.

Stablecoins as Cash Equivalents

Payment stablecoins function as digital cash. Yet under current law, users are taxed on fractional pennies of gain and loss for every stablecoin transaction, creating unnecessary friction that disincentivizes use in everyday business activities. In order to support the broader policy objectives of the GENIUS Act, the use of payment stablecoins should *not* be considered a taxable transaction for income purposes.

Broker Reporting

Stablecoin transactions are expected to generate minimal taxable gains, and requiring reporting on them imposes significant administrative costs on CCI members who serve as brokers – costs that are passed on to consumers – as well as administrative cost to IRS with no commensurate revenue benefit.

Stablecoin Valuation

The valuation of stablecoins that meet the asset-backed requirements of the GENIUS Act should be fixed at \$1. Requiring users and brokers to account for fractional price fluctuations would be unduly burdensome. Congress should allow a \$1 valuation method for all conforming stablecoins.

II. De Minimis Exemption

As mainstream adoption of digital assets as a medium of exchange increases, a de minimis rule should exclude gains on an annual basis up to a reasonable threshold. The revenue impact of such a provision is minimal, and eliminating the reporting burden for small transactions meaningfully supports adoption of digital assets in payment use cases. CCI members building consumer payment products have direct experience with how the current framework deters adoption.

III. Staking Tax Issues

CCI members include leading staking infrastructure providers, institutional stakers, and digital asset ETP sponsors. They have a firsthand view of how current tax ambiguity around staking is distorting behavior and driving infrastructure offshore. We urge the Committee to address four discrete issues.

Tax Treatment of Staking and Mining Rewards

Current IRS guidance — issued in 2014 for mining and 2023 for staking — taxes rewards at the time of receipt, even when rewards cannot yet be sold or accessed. This creates phantom income: a real tax liability on an asset that has not yet generated any real economic value. CCI urges Congress to treat staking and mining rewards like other newly created property: credited to the taxpayer at zero basis and taxed as capital gains only upon sale. This approach is consistent with economic substance and would eliminate the cash-flow burden that forces network participants to liquidate assets to pay tax obligations, thereby discouraging participation in and security of the very networks that U.S. policy should be supporting.

Source Rules

Without clear statutory sourcing rules, tax advisors currently assess staking income as sourced to wherever the validator infrastructure is located — similar to the treatment of cloud service infrastructure. This means U.S.-based staking nodes and service providers may be required to impose 30% withholding tax on foreign investors, placing them at a severe competitive disadvantage relative to their foreign counterparts. CCI urges Congress to source staking rewards based on the residence of the recipient, consistent with the treatment of income from most financial instruments. Staking rewards for non-U.S. persons should be treated as foreign-source income, which would put U.S. staking infrastructure on a level playing field globally.

Unrelated Business Taxable Income (UBTI)

Tax-exempt investors, including pension funds, endowments, and foundations, are increasingly interested in digital asset exposure, including through staking. CCI recommends that Congress expand the investment income carveout from UBTI to explicitly include periodic income from digital assets, including staking rewards, consistent with the treatment of comparable similar income for tax-exempt investors in traditional financial markets. This barrier has been directly encountered by CCI's members and is limiting capital formation and growth in U.S. digital asset markets.

Digital Asset Investment Structures (ETPs)

Digital asset ETPs democratize access to digital asset investments by making them available through the same channels as traditional securities. While the IRS's recent Revenue Procedure 2025-31 creates a safe harbor for staking in ETPs, further legislative clarity is still needed. CCI recommends that Congress (i) update the grantor trust rules to expressly permit staking activities within a grantor trust, and (ii) update the "qualifying income" exception to the publicly traded partnership rules to include staking income.

IV. Parity with Traditional Financial Assets

CCI members operate across both digital and traditional financial markets. They regularly encounter situations where economically equivalent transactions are taxed differently based solely on the nature of the underlying asset. Congress should close these disparities.

Digital Asset Loans (§1058 Extension)

Securities lending is a foundational liquidity mechanism in traditional markets, and Congress established in §1058 that it should not be a taxable event. The lending market has expanded to digital assets, and the same logic applies: lending tokens via traditional contracts or smart contracts should not create a taxable event. CCI recommends amending §1058 to expressly include digital assets. This would strengthen market liquidity and put U.S.-based digital asset lending on equal footing with traditional securities lending.

Mark-to-Market

Congress should add a new category for digital assets that may be marked-to-market at the election of a dealer or trader. This should cover any actively traded digital assets, including derivatives and hedges, with "actively traded" broadly defined to include any centralized or decentralized exchange with reliable pricing and volume. This would align the treatment of digital asset dealers and traders with their counterparts in traditional commodity and securities markets.

Wash Sale and Constructive Sales

Wash sale rules should apply to digital assets as part of a comprehensive tax package, paired with the mark-to-market regime described above. Extending these rules to digital assets promotes consistency with traditional financial instruments and reduces opportunities for tax arbitrage.

U.S. Trading Safe Harbors

A standalone digital asset trading safe harbor should be established to complement the existing securities and commodities safe harbors. This will encourage foreign investment in U.S. digital asset markets and by U.S. managers, further strengthening the competitive position of U.S.-based market participants.

V. Repatriation of Foreign-Held Assets

For a number of existing blockchain projects, protocol treasuries are held inside foreign foundations — not by preference, but in direct response to U.S. regulatory and tax uncertainty. Congress should create incentives for these projects to come onshore. Tax-free reorganization rules for tax-exempt organizations and the equity components of taxable entity reorganizations are currently underdeveloped in the context of digital assets. Congress should be thoughtful about asset valuation in this context: if a treasury were to be liquidated in whole or in part, the fair market value giving rise to tax liability would drop significantly — and this economic reality should be reflected in the applicable taxable value. Getting this right will bring intellectual property, governance, and treasury assets back to the United States where they belong.

The Cost of Inaction

The picture is clear and unfortunately dire: U.S. tax ambiguity is actively driving talent, capital, and infrastructure to other jurisdictions.

Centralized exchanges are the engine of crypto liquidity, price discovery, and user trust. As much as 88% of centralized exchange trading volume occurred on non-U.S. exchanges in 2025.³ According to Electric Capital, as of 2026, 80% of crypto developers now live outside the United States, and the U.S. proportion of global developer share has dropped by 51% over nearly ten years (from 38% share to 19%).⁴ Only 19% of crypto developers are in the U.S., a 51% drop over the last decade. Token foundations, protocol development entities, and staking operations that could be domiciled in the United States are instead being established in other jurisdictions in direct response to unclear U.S. rules.⁵

³ CoinGecko, “Global Cryptocurrency Market Caps,” updated consistently but accessed as of February 2026. Available at: <https://www.coingecko.com/en/charts>

⁴ Electric Capital, “Developer Report Dashboard: Crypto Developer Geography Trends,” 2026. Available at: <https://www.developerreport.com/geography>

⁵ CCI, How Revising Tax Policy on Staking can Secure a Growing Sector of the Financial System, Available at: <https://cryptoforinnovation.org/how-revising-tax-policy-on-staking-can-secure-a-growing-sector-of-the-financial-system/>

This is not a future risk—it is happening now. And it is not limited to startups: established institutional players are making operational decisions — about where to locate validator nodes, where to establish lending desks, where to domicile treasury assets — based in part on where the tax rules are clear. A comprehensive U.S. tax framework would not just stop the outflow; it would make the United States the destination of choice for digital asset innovation and institutional capital.

Advancing a comprehensive digital asset tax framework is a rare, bipartisan opportunity to deliver meaningful benefits to the tens of millions of Americans participating in this economy — and to the millions more who will participate as digital and traditional finance continue to converge. It would secure American leadership in one of the fastest-growing sectors of the global economy, provide taxpayers with the certainty they need to comply with confidence, and ensure the U.S. Treasury can effectively collect revenue.

CCI stands ready to serve as a resource to the Committee throughout this process. CCI and our members bring deep legal, technical, and practical expertise to each of the issues addressed in this letter, and we welcome the opportunity to engage further at the staff level on any of them.

Thank you for your leadership on this critical issue. We look forward to continuing to work together to ensure our country has comprehensive tax legislation

Respectfully submitted,



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