

119TH CONGRESS
2D SESSION

S. _____

To amend the Internal Revenue Code of 1986 to reform the treatment
of digital assets.

IN THE SENATE OF THE UNITED STATES

Mr. DAINES (for himself, Ms. LUMMIS, Mr. MORENO, and Mr. SCOTT of
South Carolina) introduced the following bill; which was read twice and
referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to reform
the treatment of digital assets.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Aligning Digital Assets with Principles of Taxation Act”
6 or the “ADAPT Act”.

7 (b) **TABLE OF CONTENTS.**—The table of contents of
8 this Act is as follows:

Sec. 1. Short title; etc.

Sec. 2. Nonrecognition of gain or loss on certain sales, exchanges, or disposi-
tions of stablecoins.

Sec. 3. Mark-to-market election.

2

- Sec. 4. Source rules for digital asset validation activities.
- Sec. 5. Certain trading in digital assets not treated as a trade or business within the United States.
- Sec. 6. Transfer of digital assets under certain agreements.
- Sec. 7. Application of wash sale rules to digital assets.
- Sec. 8. Treatment of trusts and publicly traded partnerships holding digital assets.
- Sec. 9. Application of constructive sale rules to digital assets.
- Sec. 10. Charitable contributions of widely traded digital assets.
- Sec. 11. Treatment of de minimis digital asset network fees.
- Sec. 12. Treatment of income from qualified digital asset validation activity by tax-exempt entities.
- Sec. 13. Application of registration-required obligation rules.
- Sec. 14. Treatment of certain foreign entities established in connection with decentralized autonomous organizations.
- Sec. 15. Definitions.

1 **SEC. 2. NONRECOGNITION OF GAIN OR LOSS ON CERTAIN**
 2 **SALES, EXCHANGES, OR DISPOSITIONS OF**
 3 **STABLECOINS.**

4 (a) IN GENERAL.—Part III of subchapter O of chap-
 5 ter 1 of the Internal Revenue Code of 1986 is amended
 6 by inserting after section 1033 the following new section:
 7 **“SEC. 1034. CERTAIN SALES, EXCHANGES, OR DISPOSITIONS**
 8 **OF STABLECOINS.**

9 “(a) IN GENERAL.—No gain or loss shall be recog-
 10 nized on the sale, exchange, or disposition of covered pay-
 11 ment stablecoins to purchase products or services.

12 “(b) DEFINITIONS.—

13 “(1) COVERED PAYMENT STABLECOIN.—The
 14 term ‘covered payment stablecoin’ means a qualified
 15 U.S. dollar stablecoin which—

16 “(A) was identified in the most recent re-
 17 port published by the Secretary under para-

1 graph (2) before the sale, exchange, or disposi-
2 tion of such stablecoin, and

3 “(B) was acquired by the taxpayer at a
4 price within 3 percent of \$1.00.

5 “(2) IDENTIFICATION BY TREASURY.—Not less
6 frequently than every 3 months, the Secretary shall
7 make publicly available a report identifying each
8 qualified U.S. dollar stablecoin that, during the 12-
9 month period ending on the last day of the pre-
10 ceding month, was actively traded at a price within
11 3 percent of \$1.00.

12 “(c) EXCLUSIONS.—

13 “(1) TRADE OR BUSINESS.—Subsection (a)
14 shall not apply to the sale, exchange, or disposition
15 of a covered payment stablecoin by—

16 “(A) a trader, broker, or dealer in quali-
17 fied U.S. dollar stablecoins, or

18 “(B) to the extent provided by the Sec-
19 retary, any person in a trade or business which
20 is substantially similar to a trade or business
21 described in subparagraph (A).

22 “(2) FUNCTIONAL CURRENCY OTHER THAN U.S.
23 DOLLAR.—Subsection (a) shall not apply to any tax-
24 payer or qualified business unit (as defined in sec-

1 tion 989(a)) that uses a functional currency (as de-
2 fined in section 985(b)) other than the dollar.

3 “(d) BOOKS AND RECORDS.—In such form and man-
4 ner as the Secretary may prescribe, a taxpayer shall main-
5 tain books and records sufficient to distinguish sales, ex-
6 changes, or dispositions of covered payment stablecoins el-
7 igible for nonrecognition under subsection (a) from trans-
8 actions which are not eligible under such subsection.

9 “(e) REGULATIONS AND GUIDANCE.—The Secretary
10 shall prescribe such regulations or other guidance as may
11 be necessary or appropriate to carry out the purposes of
12 this section, including—

13 “(1) requirements relating to recordkeeping and
14 broker information reporting, and

15 “(2) allocation of basis and characterization of
16 the asset and any gain or loss.”.

17 (b) EXEMPTION FROM INFORMATION REPORTING.—
18 Section 6045 of such Code is amended by adding at the
19 end the following new subsection:

20 “(i) EXEMPTION FOR CERTAIN DIGITAL ASSET
21 TRANSACTIONS.—

22 “(1) COVERED PAYMENT STABLECOINS.—In
23 the case of the sale, exchange, or disposition of any
24 covered payment stablecoin for which no gain or loss

1 is recognized under section 1034(a), no return shall
2 be required under subsection (a).

3 “(2) REGULATIONS.—The Secretary shall pre-
4 scribe such regulations or other guidance as may be
5 necessary or appropriate to carry out this sub-
6 section, including rules under which a broker—

7 “(A) may rely on information or certifi-
8 cations provided by a customer for purposes of
9 determining whether any applicable require-
10 ments under section 1034 have been satisfied,

11 “(B) shall not be required to determine
12 whether the requirement under section
13 1034(b)(1)(B) has been satisfied with respect
14 to a qualified U.S. dollar stablecoin if the acqui-
15 sition of such qualified U.S. dollar stablecoin
16 was not effected by such broker, and

17 “(C) shall not be required to determine
18 any fact that is not known or reasonably avail-
19 able to such broker.”.

20 (c) CLERICAL AMENDMENT.—The table of sections
21 for part III of subchapter O of chapter 1 of the Internal
22 Revenue Code of 1986 is amended by inserting after the
23 item relating to section 1033 the following new item:

“Sec. 1034. Certain sales, exchanges, or dispositions of stablecoins.”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to transactions en-
3 tered into after December 31, 2026.

4 **SEC. 3. MARK-TO-MARKET ELECTION.**

5 (a) IN GENERAL.—Section 475 of the Internal Rev-
6 enue Code of 1986 is amended—

7 (1) in subsection (d), by adding at the end the
8 following new paragraphs:

9 “(4) TREATMENT OF COVERED DIGITAL ASSETS
10 WHICH ARE SECURITIES OR COMMODITIES.—In the
11 case of any covered digital asset which is a security
12 or commodity (determined without regard to this
13 paragraph), such covered digital asset shall not be
14 treated as a security or commodity for purposes of
15 subsections (b) through (g).

16 “(5) ADJUSTMENTS ATTRIBUTABLE TO MARK
17 TO MARKET TREATMENT OF SECURITIES, COMMOD-
18 ITIES, OR COVERED DIGITAL ASSETS.—In the case of
19 an adjustment described in section 481(a) by reason
20 of the application of subsection (a), (e), (f), or (g)
21 of this section, the character of any income or loss
22 with respect to any property as a result of such ad-
23 justment shall be the same as the character of the
24 gain or loss which would have resulted from the sale
25 of such property as of the close of the taxable year

1 preceding the year of the change (within the mean-
2 ing of section 481) under the method of accounting
3 used for such preceding taxable year.”,

4 (2) by redesignating subsection (g) as sub-
5 section (h), and

6 (3) by inserting after subsection (f) the fol-
7 lowing new subsection:

8 “(g) ELECTION OF MARK TO MARKET FOR DEALERS
9 AND TRADERS IN COVERED DIGITAL ASSETS.—

10 “(1) DEALER IN COVERED DIGITAL ASSETS.—

11 In the case of a dealer in covered digital assets who
12 elects the application of this paragraph, this section
13 shall apply to covered digital assets held by such
14 dealer in the same manner as this section applies to
15 securities held by a dealer in securities.

16 “(2) TRADER IN COVERED DIGITAL ASSETS.—

17 In the case of a person who is engaged in a trade
18 or business as a trader in covered digital assets and
19 who elects to have this paragraph apply to such
20 trade or business as a trader in such assets, sub-
21 section (f)(1) shall apply to covered digital assets
22 held by such trader in connection with such trade or
23 business in the same manner as such subsection ap-
24 plies to securities held by a trader in securities.

1 “(3) ELECTION AND REVOCATION.—An election
2 under paragraph (1) or (2) may be made without
3 the consent of the Secretary. An election, once made,
4 shall apply to the taxable year for which made and
5 all subsequent taxable years unless revoked with the
6 consent of the Secretary.

7 “(4) DEFINITIONS.—For purposes of this sub-
8 section—

9 “(A) COVERED DIGITAL ASSET.—The term
10 ‘covered digital asset’ means—

11 “(i) any traded digital asset,

12 “(ii) any qualified U.S. dollar
13 stablecoin,

14 “(iii) any notional principal contract
15 with respect to any traded digital asset,

16 “(iv) any evidence of an interest in, or
17 derivative financial instrument in, any
18 traded digital asset or any notional prin-
19 cipal contract described in clause (iii), in-
20 cluding any option, forward contract, fu-
21 tures contract, short position, or similar fi-
22 nancial instrument, and

23 “(v) any position which—

24 “(I) is not described in clause (i),
25 (ii), (iii), or (iv),

1 “(II) is a hedge with respect to
2 any item described in clause (i), (ii),
3 (iii), or (iv), and

4 “(III) is clearly identified in the
5 taxpayer’s records as being described
6 in this clause before the close of the
7 day on which it was acquired or en-
8 tered into (or such other time as the
9 Secretary may by regulations pre-
10 scribe).

11 “(B) DEALER IN COVERED DIGITAL AS-
12 SETS.—The term ‘dealer in covered digital as-
13 sets’ means a taxpayer which—

14 “(i) regularly purchases covered dig-
15 ital assets from, or sells covered digital as-
16 sets to, customers in the ordinary course of
17 a trade or business, or

18 “(ii) regularly offers to enter into, as-
19 sume, offset, assign, or otherwise termi-
20 nate positions in covered digital assets with
21 customers in the ordinary course of a trade
22 or business.

23 “(5) REGULATIONS AND GUIDANCE.—The Sec-
24 retary shall prescribe such regulations or other guid-
25 ance as may be necessary or appropriate to carry

1 out the purposes of this subsection, including rules
2 to coordinate this subsection with the treatment
3 under this section of a covered digital asset that is
4 also a security or commodity.”.

5 (b) APPLICATION TO FIRST TAXABLE YEAR.—In the
6 case of any taxpayer who makes an election under para-
7 graph (1) or (2) of subsection (g) of section 475 of the
8 Internal Revenue Code of 1986 (as added by subsection
9 (a)) with respect to the first taxable year beginning after
10 the date of enactment of this Act—

11 (1) any identification required pursuant to the
12 application of such subsection with respect to cov-
13 ered digital assets held on the first day of such tax-
14 able year shall be treated as timely made if made on
15 or before the 30th day of such taxable year, and

16 (2) the net amount of the adjustments required
17 to be taken into account by the taxpayer under sec-
18 tion 481 of such Code by reason of the application
19 of such subsection shall be taken into account rat-
20 ably over the 4-taxable year period beginning with
21 such taxable year.

22 (c) TREATMENT AS SPECIFIED SERVICE TRADE OR
23 BUSINESS.—Section 199A(d)(2)(B) of the Internal Rev-
24 enue Code of 1986 is amended by striking “or commod-
25 ities (as defined in section 475(e)(2))” and inserting

1 “commodities (as defined in section 475(e)(2)), traded
2 digital assets, or covered digital assets (as defined in sec-
3 tion 475(g)(4)(A))”.

4 (d) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2026.

7 **SEC. 4. SOURCE RULES FOR DIGITAL ASSET VALIDATION**
8 **ACTIVITIES.**

9 (a) IN GENERAL.—Section 863 of the Internal Rev-
10 enue Code of 1986 is amended by adding at the end the
11 following new subsection:

12 “(f) SPECIAL RULES FOR INCOME FROM VALIDA-
13 TION OF DIGITAL ASSETS.—

14 “(1) IN GENERAL.—Except as provided in para-
15 graph (2) or in regulations, any income derived from
16 digital asset validation supporting activities—

17 “(A) if derived by a United States person,
18 shall be sourced in the United States, and

19 “(B) if derived by a person other than a
20 United States person, shall be sourced outside
21 the United States.

22 “(2) TREATMENT OF BRANCHES.—

23 “(A) FOREIGN BRANCHES.—Except as
24 provided in regulations, in the case of a United
25 States person with a qualified business unit (as

1 defined in section 989(a)) in a foreign country,
2 income described in paragraph (1) that con-
3 stitutes business profits attributable to such
4 unit shall be sourced outside the United States.

5 “(B) U.S. BRANCHES.—Excepts as pro-
6 vided in regulations, in the case of a person
7 that is not a United States person and that
8 maintains an office or other fixed place of busi-
9 ness in the United States, income described in
10 paragraph (1) attributable to such office or
11 other fixed place of business shall be sourced in
12 the United States.

13 “(C) ATTRIBUTION.—For purposes of sub-
14 paragraphs (A) and (B), the Secretary shall
15 issue such regulations or other guidance as the
16 Secretary determines necessary or appropriate
17 for purposes of determining the amount of busi-
18 ness profits attributable to a qualified business
19 unit or office or other fixed place of business.

20 “(3) SPECIAL RULES FOR MINING.—

21 “(A) CERTAIN AMOUNTS TREATED AS IN-
22 COME.—For purposes of paragraph (1)—

23 “(i) IN GENERAL.—Except as pro-
24 vided in clause (ii), any amounts received
25 (including amounts received as digital as-

1 sets or transaction fees) directly through a
2 mining pool or similar arrangement as a
3 result of the taxpayer's performance of, or
4 contribution of computing power to, min-
5 ing shall be treated as income derived from
6 digital asset validation supporting activi-
7 ties.

8 “(ii) EXCLUSION.—Compensation re-
9 ceived for providing services to another
10 person for services related to mining (in-
11 cluding hosting and equipment manage-
12 ment services) shall not be treated as in-
13 come derived from digital asset validation
14 supporting activities.

15 “(B) RULES FOR ATTRIBUTION TO
16 BRANCHES.—The Secretary shall prescribe
17 rules for the purposes of determining whether,
18 and to what extent, income derived from mining
19 is attributable to a qualified business unit or an
20 office or other fixed place of business under
21 paragraph (2). Such rules shall take into ac-
22 count—

23 “(i) the location and relative contribu-
24 tion of the computing equipment used in
25 the mining activity,

1 “(ii) the location of personnel per-
2 forming functions with respect to the oper-
3 ation, management, or maintenance of
4 such equipment, and

5 “(iii) such other functions, assets,
6 risks, or other factors as the Secretary de-
7 termines necessary or appropriate.

8 “(4) TREATMENT OF PARTNERSHIPS.—In the
9 case of a partnership, except as otherwise provided
10 by the Secretary in regulations or other guidance,
11 this subsection shall be applied at the partner
12 level.”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to income derived after the date
15 of the enactment of this Act.

16 (c) NO INFERENCE.—The amendments made by this
17 section shall not be construed to create any inference with
18 respect to whether, or the time at which, a digital asset
19 created, issued, acquired, or received in connection with
20 digital asset validation activity (as defined in section
21 7701(q), as added by this Act) is includible in gross in-
22 come.

1 **SEC. 5. CERTAIN TRADING IN DIGITAL ASSETS NOT TREAT-**
2 **ED AS A TRADE OR BUSINESS WITHIN THE**
3 **UNITED STATES.**

4 (a) IN GENERAL.—Section 864(b)(2) of the Internal
5 Revenue Code of 1986 is amended by redesignating sub-
6 paragraph (C) as subparagraph (D) and by inserting after
7 subparagraph (B) the following new subparagraph:

8 “(C) DIGITAL ASSETS.—

9 “(i) IN GENERAL.—Trading in traded
10 digital assets through a resident broker,
11 commission agent, custodian, or other
12 independent agent.

13 “(ii) TRADING FOR TAXPAYER’S OWN
14 ACCOUNT.—Trading in traded digital as-
15 sets for the taxpayer’s own account, wheth-
16 er by the taxpayer or the taxpayer’s em-
17 ployees or through a resident broker, com-
18 mission agent, custodian, staking provider,
19 or other agent, and whether or not any
20 such employee or agent has discretionary
21 authority to make decisions in effecting the
22 transactions. This clause shall not apply in
23 the case of a dealer in covered digital as-
24 sets (as defined in section 475(g)(4)(B)).”.

25 (b) CONFORMING AMENDMENTS.—

1 (1) Subparagraph (D) of section 864(b)(2) of
2 such Code (as redesignated by subsection (a)) is
3 amended—

4 (A) by striking “subparagraphs (A)(i) and
5 (B)(i)” and inserting “subparagraphs (A)(i),
6 (B)(i), and (C)(i)”, and

7 (B) by striking “or in commodities” and
8 inserting “in commodities, or in traded digital
9 assets”.

10 (2) The heading of section 864(b)(2) of such
11 Code is amended by striking “OR COMMODITIES”
12 and inserting “, COMMODITIES, OR DIGITAL AS-
13 SETS”.

14 (c) EFFECTIVE DATE.—

15 (1) IN GENERAL.—The amendments made by
16 this section shall apply to taxable years beginning
17 after December 31, 2026.

18 (2) NO INFERENCE.—The amendments made
19 by this section shall not be construed to create any
20 inference with respect to the application of section
21 864(b)(2) of the Internal Revenue Code of 1986 to
22 the trading of digital assets for any period beginning
23 before the date described in paragraph (1).

1 **SEC. 6. TRANSFER OF DIGITAL ASSETS UNDER CERTAIN**
2 **AGREEMENTS.**

3 (a) TRANSFERS UNDER AGREEMENT.—

4 (1) IN GENERAL.—Section 1058 of the Internal
5 Revenue Code of 1986 is amended—

6 (A) in subsection (a), by striking “ securi-
7 ties (as defined in section 1236(c))” and insert-
8 ing “applicable assets”, and

9 (B) by adding at the end the following new
10 subsection:

11 “(d) APPLICABLE ASSET.—For purposes of this sec-
12 tion, the term ‘applicable asset’ means—

13 “(1) any security (as defined in section
14 1236(c)), and

15 “(2) traded digital assets.”.

16 (2) CONFORMING AMENDMENTS.—

17 (A) Subsections (a) and (b) of section
18 1058 of such Code, as amended by paragraph
19 (1), are each amended by striking “securities”
20 each place it appears and inserting “applicable
21 assets”.

22 (B) The heading of section 1058 of such
23 Code is amended by striking “**SECURITIES**”
24 and inserting “**ASSETS**”.

25 (C) The item relating to section 1058 in
26 the table of sections for part IV of subchapter

1 O of chapter 1 of such Code is amended by
2 striking “securities” and inserting “assets”.

3 (b) TREATMENT OF CERTAIN LEGAL ENTITLEMENTS
4 AND OBLIGATIONS WHICH ACCRUE DURING PERIOD OF
5 AGREEMENT.—Section 1058(b)(2) of the Internal Rev-
6 enue Code of 1986, as amended by subsection (a)(2), is
7 amended by inserting “(including, in the case of a traded
8 digital asset, to the extent provided by the Secretary,
9 amounts equivalent to any protocol distribution or staking
10 reward with respect to such asset, or to any transaction
11 fee, priority fee, or tip allocated to the owner by reason
12 of staking)” after “and other distributions”.

13 (c) PAYMENTS WITH RESPECT TO LOANS.—

14 (1) IN GENERAL.—Section 512 of the Internal
15 Revenue Code of 1986 is amended—

16 (A) in subsection (a)(5)(A), by striking “in
17 respect of a security (as defined in section
18 1236(c))” and inserting “in respect of an appli-
19 cable asset (as defined in section 1058(d))”,
20 and

21 (B) in subsection (b)(5), by striking “secu-
22 rities (as defined in section 1236(c))” and in-
23 serting “applicable assets (as defined in section
24 1058(d))”.

1 (2) INCLUSION OF CERTAIN PAYMENTS.—Sec-
2 tion 512(a)(5)(A)(i) of such Code is amended by
3 striking “or other distributions” and inserting
4 “property, legal entitlements, or other distributions”.

5 (3) CONFORMING AMENDMENTS.—

6 (A) Section 512 of such Code is amended
7 by striking “payments with respect to securities
8 loans” each place it appears in subsection
9 (a)(5) and (b)(1) and inserting “payments with
10 respect to applicable asset loans”.

11 (B) Section 512(a)(5) of such Code is
12 amended—

13 (i) by striking “the security” each
14 place it appears and inserting “the applica-
15 ble asset”,

16 (ii) by striking “securities” each place
17 it appears and inserting “applicable as-
18 sets”, and

19 (iii) by striking “SECURITIES LOANS”
20 in the heading thereof and inserting “AP-
21 PLICABLE ASSET LOANS”.

22 (C) The following provisions of the Inter-
23 nal Revenue Code of 1986 are each amended by
24 striking “payments with respect to securities
25 loans (as defined in section 512(a)(5))” and in-

1 serting “payments with respect to applicable
2 asset loans (as defined in section 512(a)(5))”:

3 (i) Section 509(e).

4 (ii) Section 514(c)(8)(A).

5 (iii) Section 851(b)(2)(A).

6 (iv) Section 4940(c)(2).

7 (D) Section 263(g)(2)(B)(iv) of such Code
8 is amended by striking “a payment with respect
9 to a security loan (as defined in section
10 512(a)(5))” and inserting “a payment with re-
11 spect to an applicable asset loan (as defined in
12 section 512(a)(5))”.

13 (d) EFFECTIVE DATE.—

14 (1) IN GENERAL.—The amendments made by
15 this section shall apply to transfers after the date of
16 the enactment of this Act.

17 (2) NO INFERENCE.—The amendments made
18 by this section shall not be construed to create any
19 inference with respect to the non-recognition treat-
20 ment of the transfer of any traded digital asset
21 (within the meaning of section 1058(d) of the Inter-
22 nal Revenue Code of 1986, as added by this section)
23 pursuant to an agreement that would otherwise
24 qualify under 1058 of such Code before the date de-
25 scribed in paragraph (1).

1 **SEC. 7. APPLICATION OF WASH SALE RULES TO DIGITAL**
2 **ASSETS.**

3 (a) IN GENERAL.—Section 1091 of the Internal Rev-
4 enue Code of 1986 is amended—

5 (1) by striking “stock or securities” each place
6 it appears and inserting “specified assets”, and

7 (2) by striking “shares of” each place it ap-
8 pears.

9 (b) SPECIFIED ASSET.—Section 1091 of such Code
10 is amended by adding at the end the following new sub-
11 section:

12 “(g) SPECIFIED ASSET.—For purposes of this sec-
13 tion—

14 “(1) IN GENERAL.—The term ‘specified asset’
15 means—

16 “(A) any stock or security, and

17 “(B) any traded digital asset (other than a
18 qualified U.S. dollar stablecoin).

19 “(2) TREATMENT OF TOKENIZED DIGITAL AS-
20 SETS AS SUBSTANTIALLY IDENTICAL TO AN ECO-
21 NOMICALLY EQUIVALENT STOCK OR SECURITY.—A
22 tokenized digital asset (or a bridged digital asset
23 with respect to which the reference digital asset is
24 a traded digital asset) shall be treated as substan-
25 tially identical to any stock, security, or traded dig-
26 ital asset if such tokenized digital asset (or such

1 bridged digital asset) is economically equivalent to
2 such stock, security, or traded digital asset.”.

3 (c) EXCEPTION FOR CERTAIN ACQUISITIONS OF DIG-
4 ITAL ASSETS.—Section 1091 of such Code, as amended
5 by subsection (b), is further amended by adding at the
6 end the following new subsection:

7 “(h) EXCEPTION FOR CERTAIN ACQUISITIONS OF
8 DIGITAL ASSETS.—This section shall not apply with re-
9 spect to the acquisition of a digital asset if such digital
10 asset is acquired—

11 “(1) in connection with the validation of digital
12 asset transactions (including digital asset validation
13 supporting activities), or

14 “(2) in a transaction which is part of a regular
15 or periodic series of acquisitions of digital assets
16 which are included by the taxpayer as ordinary in-
17 come.”.

18 (d) EXCEPTION FOR CERTAIN MARK-TO-MARKET PO-
19 SITIONS.—Section 1091 of such Code, as amended by sub-
20 sections (b) and (c), is further amended by adding at the
21 end the following new subsection:

22 “(i) EXCEPTION FOR CERTAIN MARK-TO-MARKET
23 POSITIONS.—This section shall not apply with respect to
24 any specified asset to which subsection (a) of section 475

1 applies (including by reason of an election under sub-
2 section (e), (f), or (g) of such section).”.

3 (e) CONFORMING AMENDMENTS.—

4 (1) Sections 312(f)(1) and 1256(f)(5) of the In-
5 ternal Revenue Code of 1986 are each amended by
6 striking “stock or securities” and inserting “speci-
7 fied assets”.

8 (2) Clause (ii) of section 6045(g)(2)(B) of such
9 Code is amended to read as follows:

10 “(ii) EXCEPTION FOR WASH SALES.—

11 “(I) IN GENERAL.—Except as
12 otherwise provided by the Secretary,
13 the customer’s adjusted basis shall be
14 determined without regard to section
15 1091 (relating to loss from wash sales
16 of specified assets) unless the trans-
17 actions occur in the same account
18 with respect to identical specified as-
19 sets.

20 “(II) TOKENIZED DIGITAL AS-
21 SETS.—For purposes of subclause (I),
22 a tokenized digital asset and a speci-
23 fied asset that is not a tokenized dig-
24 ital asset shall be treated as identical
25 specified assets only if such tokenized

1 digital asset is a direct digital rep-
2 resentation of such other specified
3 asset”.

4 (3) Section 1091(e) of such Code (as amended
5 by subsection (a)) is amended to read as follows:

6 “(e) CERTAIN SHORT SALES OF SPECIFIED ASSETS
7 AND SPECIFIED ASSET FUTURES CONTRACTS TO SELL.—
8 Rules similar to the rules of subsection (a) shall apply to
9 any loss realized on the closing of a short sale of (or the
10 sale, exchange, or termination of a specified asset futures
11 contract to sell) specified assets if, within a period begin-
12 ning 30 days before the date of such closing and ending
13 30 days after such date—

14 “(1) substantially identical specified assets were
15 sold, or

16 “(2) another short sale of (or specified asset fu-
17 tures contracts to sell) substantially identical speci-
18 fied assets was entered into.

19 For purposes of this subsection, the term ‘specified asset
20 futures contract’ has the same meaning given the term
21 ‘securities futures contract’ under section 1234B(c), ex-
22 cept that such term shall include a contract for the future
23 delivery of a digital asset.”.

1 (4) The heading of section 1091 of such Code
2 is amended by striking “**STOCK OR SECURITIES**”
3 and inserting “**SPECIFIED ASSETS**”.

4 (5) The headings of subsections (b), (c), and
5 (d) of section 1091 of such Code are each amended
6 by striking “STOCK” each place it appears and in-
7 serting “SPECIFIED ASSETS”.

8 (6) The item relating to section 1091 in the
9 table of sections for part VII of subchapter O of
10 chapter 1 of such Code is amended by striking
11 “stock or securities” and inserting “specified as-
12 sets”.

13 (f) EFFECTIVE DATES.—

14 (1) IN GENERAL.—Except as provided under
15 paragraphs (2) and (3), the amendments made by
16 this section shall apply to sales, dispositions, and
17 terminations after the date of enactment of this Act.

18 (2) EXCEPTION FOR CERTAIN ACQUISITIONS.—
19 For purposes of the application of section 1091 of
20 the Internal Revenue Code of 1986 with respect to
21 any digital asset acquired before the date of enact-
22 ment of this Act, the amendments made by this sec-
23 tion shall be deemed to not apply.

24 (3) TRANSITION RULE FOR BROKER REPORT-
25 ING.—For purposes of the application of section

1 6045(g) of the Internal Revenue Code of 1986 with
2 respect to any sales, dispositions, and terminations
3 of any digital assets that are not securities before
4 January 1, 2028, the amendments made by this sec-
5 tion shall be deemed to not apply.

6 **SEC. 8. TREATMENT OF TRUSTS AND PUBLICLY TRADED**
7 **PARTNERSHIPS HOLDING DIGITAL ASSETS.**

8 (a) TRUSTS.—

9 (1) IN GENERAL.—Section 7701 of the Internal
10 Revenue Code of 1986 is amended—

11 (A) by redesignating subsection (p) as sub-
12 section (q), and

13 (B) by inserting after subsection (o) the
14 following new subsection:

15 “(p) TAX TREATMENT OF CERTAIN DIGITAL ASSET
16 INVESTMENT TRUSTS.—

17 “(1) IN GENERAL.—For purposes of this title,
18 in the case of a covered digital asset investment
19 trust formed to hold digital assets—

20 “(A) any power held by the trustee to
21 stake or unstake digital assets, whether directly
22 or through delegation to another party, and to
23 perform any related acts to exercise such power
24 to stake, including the retention of staking re-
25 wards, shall not be treated as a power under

1 such trust agreement to vary the investment of
2 the certificate holders of such trust and shall
3 not otherwise disqualify an entity from charac-
4 terization as an investment trust that is not
5 classified as a business entity under this sec-
6 tion,

7 “(B) discretionary powers held by a trustee
8 to use other measures, including a borrowing
9 facility, to manage the trust’s potential need for
10 assets available to satisfy redemptions shall not
11 be treated as a power under the applicable trust
12 agreement to vary the investment of the certifi-
13 cate holders of such trust, and

14 “(C) discretionary powers held by a trustee
15 to act in response to changes to technology sup-
16 porting the digital assets held by the trust, in-
17 cluding with regard to staking, shall not be
18 treated as a power under the applicable trust
19 agreement to vary the investment of the certifi-
20 cate holders of such trust.

21 “(2) NONAPPLICATION TO VALIDATING TRADE
22 OR BUSINESS.—This subsection shall not apply in
23 the case of any entity or arrangement engaged in
24 the active conduct of a trade or business of vali-
25 dating digital asset transactions.

1 “(3) COVERED DIGITAL ASSET INVESTMENT
2 TRUST.—For purposes of this subsection, the term
3 ‘covered digital asset investment trust’ means a
4 trust which satisfies each of the following require-
5 ments:

6 “(A) The trust is traded on a national se-
7 curities exchange which is registered with the
8 Securities and Exchange Commission and com-
9 plies with any applicable rules and regulations
10 established by such Commission.

11 “(B) The trust only holds units of a single
12 digital asset and any transactions with respect
13 to such units are carried out on a network that
14 uses a proof-of-stake consensus mechanism.

15 “(C) The trust’s digital assets are held by
16 a qualified custodian on behalf of the trust at
17 digital asset addresses controlled by such custo-
18 dian.

19 “(D) The trust directs staking of its dig-
20 ital assets through 1 or more custodians who
21 facilitate the staking of the digital assets on be-
22 half of the trust with 1 or more staking pro-
23 viders, subject to terms consistent with those
24 that would be agreed to between unrelated per-

1 (C) by inserting after subparagraph (G)
2 the following new paragraph:

3 “(H)(i) staking rewards, to the extent in-
4 cludible in gross income,

5 “(ii) payments with respect to applicable
6 asset loans (as defined in section 512(a)(5)) to
7 the extent attributable to traded digital assets,
8 or

9 “(iii) gains from the sale or exchange of—
10 “(I) digital assets (other than those
11 described in section 1221(a)(1) in the
12 hands of the taxpayer), or

13 “(II) futures contracts, forward con-
14 tracts, or options with respect to digital as-
15 sets.”, and

16 (D) in the flush text following subpara-
17 graph (H), by adding at the end the following:
18 “For purposes of subparagraph (H), qualifying
19 income shall not include income or gain derived
20 from operating a digital asset exchange, lending
21 platform, broker, dealer, or other digital asset
22 financial services business for a spread, com-
23 mission, fee, or similar compensation.”.

1 (2) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to taxable years begin-
3 ning after December 31, 2026.

4 **SEC. 9. APPLICATION OF CONSTRUCTIVE SALE RULES TO**
5 **DIGITAL ASSETS.**

6 (a) IN GENERAL.—Section 1259 of the Internal Rev-
7 enue Code of 1986 is amended—

8 (1) in subsection (b)(1), by inserting “digital
9 asset (other than a qualified U.S. dollar
10 stablecoin),” after “debt instrument,” and

11 (2) in subsection (c)—

12 (A) in paragraph (2), by inserting “or
13 widely traded digital asset” after “marketable
14 security (as defined in section 453(f))”, and

15 (B) by adding at the end the following new
16 paragraph:

17 “(5) TREATMENT OF TOKENIZED DIGITAL AS-
18 SETS AS SUBSTANTIALLY IDENTICAL TO ECONOMI-
19 CALLY EQUIVALENT FINANCIAL PROPERTY.—A
20 tokenized digital asset (or a bridged digital asset
21 with respect to which the reference digital asset is
22 a traded digital asset) shall be treated as substan-
23 tially identical to any stock, debt instrument, part-
24 nership interest, or widely traded digital asset if
25 such tokenized digital asset (or such bridged digital

1 asset) is economically equivalent to such stock, debt
2 instrument, partnership interest, or widely traded
3 digital asset.”.

4 (b) EFFECTIVE DATE.—

5 (1) IN GENERAL.—The amendments made by
6 this section shall apply to constructive sales after the
7 date of enactment of this Act.

8 (2) RULE OF CONSTRUCTION.—No transaction
9 entered into on or before the date of enactment of
10 this Act shall be deemed to cause or result in a con-
11 structive sale by reason of the amendments made by
12 this section.

13 **SEC. 10. CHARITABLE CONTRIBUTIONS OF WIDELY TRADED**
14 **DIGITAL ASSETS.**

15 (a) EXCEPTION FROM APPRAISAL REQUIRE-
16 MENTS.—Section 170(f)(11)(A)(ii)(I) of the Internal Rev-
17 enue Code of 1986 is amended by inserting “widely traded
18 digital assets (except as the Secretary determines appro-
19 priate to prevent abuse of this section),” after “publicly
20 traded securities (as defined in section 6050L(a)(2)(B)),”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to taxable years beginning after
23 December 31, 2026.

1 **SEC. 11. TREATMENT OF DE MINIMIS DIGITAL ASSET NET-**
2 **WORK FEES.**

3 (a) IN GENERAL.—Part III of subchapter O of chap-
4 ter 1 of the Internal Revenue Code of 1986, as amended
5 by section 2, is amended by inserting after section 1043
6 the following new section:

7 **“SEC. 1044. DE MINIMIS NETWORK FEE EXCEPTION.**

8 “(a) IN GENERAL.—No gain or loss shall be recog-
9 nized with respect to any qualified transaction cost dis-
10 position.

11 “(b) QUALIFIED TRANSACTION COST DISPOS-
12 ITION.—For purposes of this section, the term ‘qualified
13 transaction cost disposition’ means the disposition of a
14 digital asset by a taxpayer—

15 “(1) in satisfaction of a digital asset trans-
16 action cost paid or incurred by the taxpayer, includ-
17 ing a disposition resulting from the withholding of a
18 digital asset from an amount transferred or received
19 by the taxpayer, and

20 “(2) with respect to which the aggregate fair
21 market value of all digital assets disposed of by the
22 taxpayer in satisfaction of digital asset transaction
23 costs relating to such transaction does not exceed
24 \$10.

25 “(c) DIGITAL ASSET TRANSACTION COST.—

1 “(1) IN GENERAL.—For purposes of this sec-
2 tion, the term ‘digital asset transaction cost’ means
3 any amount paid in cash or property (including a
4 digital asset) to effect the sale, disposition, or acqui-
5 sition of a digital asset, including transaction fees,
6 transfer taxes, commissions, and network fees paid
7 or incurred with respect to any digital asset trans-
8 action initiated by the taxpayer and recorded on a
9 cryptographically secured distributed ledger.

10 “(2) NETWORK FEE.—For purposes of para-
11 graph (1), the term ‘network fee’ means any amount
12 paid or incurred to cause, facilitate, expedite, or
13 prioritize the execution, validation, settlement, or re-
14 cording of a digital asset transaction on a cryp-
15 tographically secured distributed ledger or similar
16 technology, including any base fee, gas fee, priority
17 fee, tip, or similar amount, without regard to—

18 “(A) whether payment of such amount is
19 mandatory or elective, or

20 “(B) whether such amount is paid or
21 transferred to a person, paid or transferred to
22 a protocol, burned, destroyed, or otherwise re-
23 moved from circulation.

24 “(d) AGGREGATION RULE.—

1 “(1) IN GENERAL.—For purposes of subsection
2 (b)(2)—

3 “(A) all digital assets disposed of in satis-
4 faction of digital asset transaction costs relating
5 to the same economic transaction shall be ag-
6 gregated, including a series of related economic
7 transactions structured for the purpose of
8 avoiding the limitation under such subsection,
9 and

10 “(B) any digital asset transaction cost paid
11 or incurred to effect the disposition of a digital
12 asset used to pay another digital asset trans-
13 action cost shall be treated as relating to the
14 transaction to which such other cost relates.

15 “(2) LIMITATION.—For purposes of paragraph
16 (1), transactions shall not be aggregated solely be-
17 cause such transactions are executed through the
18 same account, wallet, protocol, program, smart con-
19 tract, or automated strategy.

20 “(e) DETERMINATION OF FAIR MARKET VALUE.—
21 For purposes of subsection (b)(2), the fair market value
22 of a digital asset shall be determined as of the date and
23 time of the disposition of such digital asset.

24 “(f) COORDINATION WITH TREATMENT OF TRANS-
25 ACTION COSTS.—Nothing in this section shall be deemed

1 to modify the capitalization, allocation, or other treatment
2 of a digital asset transaction cost.

3 “(g) TREATMENT OF UNRECOGNIZED GAIN.—The
4 amount of any digital asset transaction cost which would
5 otherwise be taken into account in determining the
6 amount of gain or loss on the disposition of any asset,
7 in determining the amount of any deduction, or in deter-
8 mining the basis of any asset acquired, shall be reduced
9 by the amount of any gain or increased by the amount
10 of any loss not recognized by reason of subsection (a) with
11 respect to the disposition of the digital asset used to pay
12 such digital asset transaction cost.

13 “(h) EXCLUSIONS.—

14 “(1) TRADE OR BUSINESS.—Subsection (a)
15 shall not apply to the disposition of a digital asset
16 by—

17 “(A) a trader, broker, or dealer in digital
18 assets,

19 “(B) a person in the trade or business of
20 batching or facilitating the validation of digital
21 asset transactions on behalf of others,

22 “(C) to the extent provided by the Sec-
23 retary, any person in a trade or business which
24 is substantially similar to a trade or business
25 described in subparagraph (A) or (B), or

1 “(D) any person that initiated more than
2 5,000 digital asset transactions during the pre-
3 ceding taxable year.

4 “(2) CERTAIN ACCOUNTING METHODS.—Sub-
5 section (a) shall not apply to any digital asset—

6 “(A) to which section 475 or 1256(a) ap-
7 plies, or

8 “(B) except as otherwise provided by the
9 Secretary, to which a mark-to-market method
10 applies under any other provision of this sub-
11 title.

12 “(i) REGULATIONS.—The Secretary shall issue such
13 regulations or other guidance as may be necessary or ap-
14 propriate to carry out the purposes of this section, includ-
15 ing regulations or guidance to prevent the abuse of this
16 section through transaction structuring for the purpose of
17 qualifying for the exclusion provided in subsection (a).”.

18 (b) EXEMPTION FROM INFORMATION REPORTING.—
19 Section 6045(i) of such Code, as added by section 2 of
20 this Act, is amended—

21 (1) by redesignating paragraph (2) as para-
22 graph (3), and

23 (2) by inserting after paragraph (1) the fol-
24 lowing new paragraph:

25 “(2) DE MINIMIS NETWORK FEE EXCEPTION.—

1 “(A) IN GENERAL.—Except as otherwise
2 provided by the Secretary or under subpara-
3 graph (B), in the case of the disposition of a
4 digital asset to which section 1044(a) applies,
5 subsection (a) shall not apply with respect to
6 such disposition.

7 “(B) AGGREGATE INFORMATION.—With
8 respect to any dispositions described in sub-
9 paragraph (A), a broker shall include in the re-
10 turn under subsection (a) such aggregate infor-
11 mation relating to such dispositions as the Sec-
12 retary determines necessary or appropriate, in-
13 cluding for purposes of verifying the taxpayer’s
14 basis in digital assets held by the taxpayer.”.

15 (c) EXCEPTION FROM WASH SALE RULES.—Section
16 1091 of the Internal Revenue Code of 1986, as amended
17 by this Act, is further amended by adding at the end the
18 following new subsection:

19 “(j) EXCEPTION FOR QUALIFIED TRANSACTION
20 COST DISPOSITIONS.—This section shall not apply with
21 respect to any qualified transaction cost disposition (as de-
22 fined in section 1044(b)).”.

23 (d) CLERICAL AMENDMENT.—The table of sections
24 for part III of subchapter O of chapter 1 of the Internal

1 Revenue Code of 1986 is amended by inserting after the
2 item relating to section 1043 the following new item:

“Sec. 1044. De minimis network fee exception.”.

3 (e) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to the disposition of assets after
5 December 31, 2026.

6 **SEC. 12. TREATMENT OF INCOME FROM QUALIFIED DIG-**
7 **ITAL ASSET VALIDATION ACTIVITY BY TAX-**
8 **EXEMPT ENTITIES.**

9 (a) TREATMENT UNDER UNRELATED BUSINESS
10 TAXABLE INCOME.—

11 (1) IN GENERAL.—Section 512(b) of the Inter-
12 nal Revenue Code of 1986 is amended by adding at
13 the end the following new paragraph:

14 “(20) CERTAIN DIGITAL ASSET VALIDATION IN-
15 COME.—

16 “(A) IN GENERAL.—There shall be ex-
17 cluded income from qualified digital asset vali-
18 dation activity, and all deductions directly con-
19 nected with such income.

20 “(B) QUALIFIED DIGITAL ASSET VALIDA-
21 TION ACTIVITY.—

22 “(i) IN GENERAL.—For purposes of
23 this subsection, the term ‘qualified digital
24 asset validation activity’ means any activ-
25 ity—

1 “(I) which involves digital asset
2 validation supporting activities, and

3 “(II) in which the taxpayer does
4 not substantially participate.

5 “(ii) SUBSTANTIAL PARTICIPATION.—
6 For purposes of clause (i)(II), a taxpayer
7 shall be treated as not substantially par-
8 ticipating in an activity described in clause
9 (i)(I) if the taxpayer—

10 “(I) owns the digital assets and
11 delegates validation rights to another
12 person on terms consistent with those
13 that would be agreed to between unre-
14 lated persons dealing at arm’s length
15 under comparable circumstances,

16 “(II) does not operate the
17 validator nodes and does not control
18 validator selection beyond delegation
19 and committing or uncommitting to-
20 kens to the validation network, and

21 “(III) does not undertake other
22 activity that seeks to control the activ-
23 ity described in clause (i)(I).”.

1 (2) DEBT-FINANCED PROPERTY.—Section
2 512(b)(4) of such Code is amended by striking “or
3 (5)” and inserting “(5), or (20)”.

4 (b) REGULATIONS.—The Secretary of the Treasury
5 (or the Secretary’s delegate) shall issue such regulations
6 or other guidance as may be necessary or appropriate to
7 carry out the purposes of the amendments made by this
8 section, including regulations or guidance to prevent the
9 abuse of such amendments.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2026.

13 **SEC. 13. APPLICATION OF REGISTRATION-REQUIRED OBLI-**
14 **GATION RULES.**

15 (a) EXCEPTION FOR QUALIFIED U.S. DOLLAR
16 STABLECOINS.—Section 163(f)(2)(A) of the Internal Rev-
17 enue Code of 1986 is amended—

18 (1) by striking “or” at the end of clause (ii),

19 (2) by striking the period at the end of clause

20 (iii) and inserting “, or”, and

21 (3) by adding at the end the following new
22 clause:

23 “(iv) is a qualified U.S. dollar
24 stablecoin.”.

1 (b) CLARIFICATION OF TREATMENT OF DIGITAL AS-
2 SETS.—Section 4701 of such Code is amended by adding
3 at the end the following new subsection:

4 “(c) DIGITAL ASSETS.—

5 “(1) LOCATION OF DISCLOSURE STATEMENT.—

6 In the case of any digital asset, the requirement of
7 clause (iii) of subsection (b)(1)(B) shall be treated
8 as satisfied if the statement described therein is in-
9 cluded in all written terms or marketing materials
10 with respect to such digital asset and in such other
11 locations or documents as the Secretary may pre-
12 scribe in regulations.

13 “(2) TREATMENT OF DIGITAL ASSETS WITHOUT
14 A FIXED MATURITY DATE.—In the case of any dig-
15 ital asset that does not have a fixed maturity date
16 at issue, the date of maturity of such asset for pur-
17 poses of subsection (a)(2) shall be treated as the
18 date that is 25 years after the date of issuance of
19 such digital asset.”.

20 (c) EFFECTIVE DATE.—

21 (1) IN GENERAL.—Except as otherwise pro-
22 vided in this subsection, the amendments made by
23 this section shall apply to taxable years ending after
24 the date of enactment of this Act.

1 (2) CLARIFICATION OF TREATMENT OF DIGITAL
2 ASSETS WITHOUT A FIXED MATURITY DATE.—The
3 amendment made by subsection (b) shall apply to
4 digital assets issued after the date of enactment of
5 this Act.

6 **SEC. 14. TREATMENT OF CERTAIN FOREIGN ENTITIES ES-**
7 **TABLISHED IN CONNECTION WITH DECEN-**
8 **TRALIZED AUTONOMOUS ORGANIZATIONS.**

9 (a) IN GENERAL.—Not later than 12 months after the
10 date of the enactment of this Act, the Secretary of the
11 Treasury (or the Secretary’s delegate) shall issue regula-
12 tions or other guidance to clarify the appropriate tax
13 treatment of reorganizations of applicable foreign entities
14 (and United States persons related to such entities or in-
15 volved in the governance of such entities).

16 (b) MATTERS INCLUDED.—The regulations or other
17 guidance issued under subsection (a) shall—

18 (1) clarify the methods by which applicable for-
19 eign entities may reorganize as domestic corpora-
20 tions under subchapter C of chapter 1 of the Inter-
21 nal Revenue Code of 1986, and

22 (2) provide, in appropriate circumstances, tem-
23 porary safe harbors to encourage applicable foreign
24 entities organized before September 24, 2026, to

1 complete such reorganizations promptly after the
2 date of the enactment of this Act.

3 (c) APPLICABLE FOREIGN ENTITY.—For purposes of
4 this section, the term “applicable foreign entity” means
5 an entity which is established—

6 (1) in connection with an organization com-
7 monly referred to as decentralized autonomous orga-
8 nizations, and

9 (2) in a foreign country as a foundation under
10 foreign law (or other similar structure with a pur-
11 ported purpose other than profit).

12 **SEC. 15. DEFINITIONS.**

13 (a) IN GENERAL.—Section 7701 of the Internal Rev-
14 enue Code of 1986, as amended by section 8 of this Act,
15 is further amended—

16 (1) by redesignating subsection (q) as sub-
17 section (r), and

18 (2) by inserting after subsection (p) the fol-
19 lowing new subsection:

20 “(q) DEFINITIONS RELATED TO DIGITAL ASSETS.—
21 For purposes of this title—

22 “(1) BRIDGED DIGITAL ASSET.—Except as oth-
23 erwise provided by the Secretary, the term ‘bridged
24 digital asset’ means any digital asset if such asset—

1 “(A) is redeemable on demand, on a one-
2 for-one basis, for another digital asset, and

3 “(B) is recorded on a cryptographically se-
4 cured distributed ledger other than the cryp-
5 tographically secured distributed ledger on
6 which the digital asset referred to in subpara-
7 graph (A) is recorded.

8 “(2) DIGITAL ASSET.—Except as otherwise pro-
9 vided by the Secretary, the term ‘digital asset’
10 means any digital representation of value which is
11 recorded on a cryptographically secured distributed
12 ledger or any similar technology as specified by the
13 Secretary.

14 “(3) DIGITAL ASSET TRANSACTION.—The term
15 ‘digital asset transaction’ means any transaction, in-
16 struction, or other operation submitted for execution
17 and recorded on the cryptographically secured dis-
18 tributed ledger (or similar technology) referred to in
19 paragraph (2), regardless of whether such trans-
20 action, instruction, or other operation transfers a
21 digital asset or is successfully executed.

22 “(4) DIGITAL ASSET VALIDATION SUPPORTING
23 ACTIVITIES.—The term ‘digital asset validation sup-
24 porting activities’ means staking, mining, or similar

1 activities in support of the validation of digital asset
2 transactions.

3 “(5) MINING.—

4 “(A) IN GENERAL.—The term ‘mining’,
5 when used in connection with a digital asset,
6 means—

7 “(i) performing computations, or
8 making available computing power, in sup-
9 port of the validation of digital asset trans-
10 actions on a cryptographically secured dis-
11 tributed ledger that uses a proof-of-work
12 consensus mechanism, and

13 “(ii) except as otherwise provided by
14 the Secretary, any activity which is sub-
15 stantially similar to an activity described in
16 clause (i).

17 “(B) EXCEPTION.—The term ‘mining’
18 does not include staking or the operation of a
19 validator node on a cryptographically secured
20 distributed ledger that uses a proof-of-stake
21 consensus mechanism.

22 “(6) QUALIFIED U.S. DOLLAR STABLECOIN.—

23 “(A) IN GENERAL.—The term ‘qualified
24 U.S. dollar stablecoin’ means any U.S. dollar
25 stablecoin which is issued by—

1 “(i) a permitted payment stablecoin
2 issuer (as defined in section 2(23) of the
3 GENIUS Act, as in effect on the date of
4 the enactment of this subsection), or

5 “(ii) a foreign payment stablecoin
6 issuer (as defined in section 2(12) of the
7 GENIUS Act, as so in effect) authorized
8 to issue such U.S. dollar stablecoin to
9 United States persons by reason of—

10 “(I) registration with the Office
11 of the Comptroller of the Currency
12 under the GENIUS Act (as so in ef-
13 fect), or

14 “(II) a determination by the Sec-
15 retary under such Act that the regu-
16 latory and supervisory regime of the
17 jurisdiction in which such issuer is or-
18 ganized is comparable to the require-
19 ments of such Act.

20 “(B) EXCEPTION.—For purposes of sub-
21 paragraph (A)(ii), a foreign payment stablecoin
22 issuer shall not be treated as authorized to
23 issue a U.S. dollar stablecoin under such sub-
24 paragraph by reason of the absence of a prohi-

1 bition on the offer or sale of such U.S. dollar
2 stablecoin in the United States.

3 “(7) RECEIPT TOKEN.—

4 “(A) IN GENERAL.—Except as otherwise
5 provided by the Secretary, the term ‘receipt
6 token’ means any digital asset (other than a
7 bridged digital asset) that is readily redeemable,
8 directly or through a protocol or similar ar-
9 rangement, for a determinable amount of 1 or
10 more other digital assets (referred to in this
11 subsection as ‘underlying digital assets’), with-
12 out regard to whether—

13 “(i) such receipt token and any under-
14 lying digital asset are recorded on the
15 same cryptographically secured distributed
16 ledger,

17 “(ii) the amount of underlying digital
18 assets for which such receipt token is re-
19 deemable varies over time, or

20 “(iii) redemption is subject to a wait-
21 ing period, queue, or similar delay imposed
22 by the protocol.

23 “(B) TIERED RECEIPT TOKENS.—If any
24 underlying digital asset with respect to a receipt

1 token is itself a receipt token or a bridged dig-
2 ital asset—

3 “(i) the underlying digital assets or
4 reference digital asset of such asset shall
5 be treated as underlying digital assets of
6 the first receipt token, and

7 “(ii) rules similar to the rules of sub-
8 paragraphs (B) and (C) of paragraph (8)
9 shall apply.

10 “(8) REFERENCE DIGITAL ASSET.—

11 “(A) IN GENERAL.—The term ‘reference
12 digital asset’ means, with respect to any
13 bridged digital asset, the digital asset referred
14 to in paragraph (1)(A).

15 “(B) SPECIAL RULE FOR REWRAPPINGS.—
16 If, but for this subparagraph, the reference dig-
17 ital asset with respect to any bridged digital
18 asset would be a bridged digital asset (referred
19 to in this paragraph as the ‘lower-tier bridged
20 digital asset’)—

21 “(i) subparagraph (A) shall be applied
22 with respect to the lower-tier bridged dig-
23 ital asset, and

24 “(ii) the reference digital asset with
25 respect to such lower-tier bridged digital

1 asset shall be treated as the reference dig-
2 ital asset of such bridged digital asset.

3 “(C) MULTIPLE WRAPPINGS.—If, after the
4 application of subparagraph (B), the reference
5 digital asset with respect to the lower-tier
6 bridged digital asset is a bridged digital asset,
7 such subparagraph shall be reapplied by treat-
8 ing such lower-tier bridged digital asset as the
9 bridged digital asset.

10 “(9) STAKING.—The term ‘staking’, when used
11 in connection with a digital asset, means—

12 “(A) making such asset available in sup-
13 port of the validation of digital asset trans-
14 actions, and

15 “(B) to the extent provided by the Sec-
16 retary, any activity which is substantially simi-
17 lar to an activity described in subparagraph
18 (A).

19 “(10) STAKING REWARD.—

20 “(A) IN GENERAL.—The term ‘staking re-
21 ward’ means any additional units of a digital
22 asset, or portions thereof, that are created or
23 issued by the protocol itself as part of valida-
24 tion and allocated to a taxpayer (directly or
25 through 1 or more agents or pools) as a result

1 of the taxpayer’s direct or indirect participation
2 in digital asset validation supporting activities
3 of a distributed ledger.

4 “(B) EXCLUSION FOR SERVICE COMPENSA-
5 TION.—

6 “(i) IN GENERAL.—The term ‘staking
7 reward’ shall not include any fee, commis-
8 sion, spread, or other amount received for
9 providing validation, staking, exchange,
10 lending, or other digital asset financial
11 services to another person.

12 “(ii) EXCEPTION.—For purposes of
13 clause (i), a protocol-issued reward shall
14 not be treated as compensation for pro-
15 viding digital asset financial services mere-
16 ly because the taxpayer directly validates
17 transactions or delegates digital assets to a
18 validator.

19 “(11) TOKENIZED DIGITAL ASSET.—The term
20 ‘tokenized digital asset’ means any digital asset
21 (other than a qualified U.S. dollar stablecoin) that
22 is a digital representation of all rights, obligations,
23 or interests in a tangible or intangible asset that is
24 not itself a digital asset.

1 “(12) TRADED DIGITAL ASSET.—Except as oth-
2 erwise provided by the Secretary, the term ‘traded
3 digital asset’ means any digital asset if—

4 “(A) such asset is fungible,

5 “(B) quotations of such asset are readily
6 available or readily ascertainable on 1 or more
7 exchanges and reflect trading in sufficient vol-
8 ume and with sufficient liquidity to provide reli-
9 able price discovery, and

10 “(C) such asset is either—

11 “(i) not a tokenized digital asset,

12 “(ii) a bridged digital asset with re-
13 spect to which the reference digital asset is
14 a traded digital asset, or

15 “(iii) a receipt token with respect to
16 which each underlying digital asset is a
17 traded digital asset.

18 “(13) U.S. DOLLAR STABLECOIN.—The term
19 ‘U.S. dollar stablecoin’ means a payment stablecoin
20 as defined in section 2(22) of the GENIUS Act (as
21 in effect on the date of the enactment of this sub-
22 section) applied by substituting ‘dollars’ for ‘mone-
23 tary value’ each place it appears in such section.

24 “(14) VALIDATION.—The term ‘validate’, and
25 any derivative of such term (including ‘validation’),

1 when used in connection with a digital asset trans-
2 action, means participating in a consensus process of
3 a cryptographically secured distributed ledger by
4 proposing, attesting to, verifying, ordering, record-
5 ing, or otherwise confirming transactions or blocks.

6 “(15) WIDELY TRADED DIGITAL ASSET.—

7 “(A) IN GENERAL.—Except as otherwise
8 provided by the Secretary, the term ‘widely
9 traded digital asset’ means, for any taxable
10 year, any traded digital asset if—

11 “(i) quotations for such asset were
12 readily available on an exchange for the
13 entirety of the immediately preceding cal-
14 endar year,

15 “(ii) the market capitalization of such
16 asset exceeded \$500,000,000 at substan-
17 tially all times during such calendar year,
18 and

19 “(iii) not more than 10 percent of the
20 units of such asset were owned, directly or
21 indirectly, by the taxpayer or any person
22 described with respect to the taxpayer
23 under section 267(b) (applied without re-
24 gard to section 267(c)(3)) or section
25 707(b)(1) at any time during such taxable

1 year or the immediately preceding taxable
2 year.

3 “(B) SPECIAL RULE FOR BRIDGED DIG-
4 ITAL ASSETS.—Except as otherwise provided by
5 the Secretary, in the case of any bridged digital
6 asset, such asset shall be treated as a widely
7 traded digital asset if the reference digital asset
8 with respect to such bridged digital asset is a
9 widely traded digital asset.

10 “(C) AUTHORITY TO ENSURE RELIABLE
11 PRICE DISCOVERY.—For purposes of subpara-
12 graphs (A) and (B), the Secretary may exclude
13 any asset that lacks reliable price discovery or
14 that the Secretary determines is at risk of price
15 manipulation.

16 “(D) AUTHORITY TO ADJUST REQUIRE-
17 MENTS.—The Secretary may, by regulation,
18 provide requirements that apply in lieu of 1 or
19 more of the requirements of clauses (i) through
20 (iii) of subparagraph (A) if the Secretary deter-
21 mines that, due to changes in market conditions
22 (including by reason of the enactment of Fed-
23 eral legislation relating to digital asset market
24 structure), such alternative requirements would
25 more effectively or efficiently identify traded

1 digital assets for which there is consistent and
2 reliable price discovery.

3 “(E) SPECIAL RULE FOR RECEIPT TO-
4 KENS.—Except as otherwise provided by the
5 Secretary, a receipt token shall be treated as a
6 widely traded digital asset if each underlying
7 digital asset with respect to such receipt token
8 is a widely traded digital asset.

9 “(F) INFLATION ADJUSTMENT.—In the
10 case of any calendar year after 2027, the
11 \$500,000,000 amount in subparagraph (A)(ii)
12 shall be increased by an amount equal to—

13 “(i) such dollar amount, multiplied by

14 “(ii) the cost-of-living adjustment de-
15 termined under section 1(f)(3) for such
16 calendar year, determined by substituting
17 ‘calendar year 2026’ for ‘calendar year
18 2016’ in subparagraph (A)(ii) thereof.

19 Any increase determined under the preceding
20 sentence which is not a multiple of \$100,000
21 shall be rounded to the nearest multiple of
22 \$100,000.”.

23 (b) CONFORMING AMENDMENTS.—

1 (1) Section 6045(g)(3) of the Internal Revenue
2 Code of 1986 is amended by striking subparagraph
3 (D).

4 (2) Section 6050I(d)(3) of such Code is amend-
5 ed by striking “(as defined in section
6 6045(g)(3)(D))”.