BLOCKCHAIN ASSOCIATION

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WRITTEN TESTIMONY OF
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BEFORE THE
United States House of Representatives Committee on Ways and Means
Oversight Subcommittee

IN A HEARING ENTITLED
Making America the Crypto Capital of the World:
Ensuring Digital Asset Policy Built for the 21st Century

Chairman Schweikert, Ranking Member Sewell, and distinguished Members of the Subcommittee, thank you for the opportunity to testify today. My name is Summer Mersinger, and I am the Chief Executive Officer of Blockchain Association. We are the leading voice of the American digital asset industry, representing more than 130 of the most innovative and respected job creators and stakeholders in the blockchain ecosystem. Our members are building the next generation of the internet right here in the United States—from software developers and infrastructure providers to investment firms and trading platforms—and we are proud to advocate for the responsible growth of this transformative technology.

I am here today to deliver a clear and urgent message on behalf of the American digital asset economy: to secure our nation's leadership in the next wave of technological innovation, protect consumers, and foster greater tax compliance, Congress must provide clear, sensible, and durable rules for the tax treatment of digital assets. We stand ready to be a dedicated partner to this Committee in that effort.

The American Digital Asset Opportunity

The digital asset ecosystem is a dynamic and rapidly growing sector of the global economy. This is no niche industry: digital assets represent a significant, complex, and expanding sector of the American economy used by everyone from large corporations to small businesses, experienced investors to everyday taxpayers in your own hometowns. The total market capitalization of digital assets now stands at over **$3.7 trillion**, more than **50 million** Americans own digital assets, and the United States is home to more than half of the world's blockchain enterprise "unicorns"—private companies valued at over $1 billion.[1] [2] [3]

These are not just numbers; they represent jobs, innovation, and the potential for a more efficient and inclusive financial system. From streamlining cross-border payments to creating new forms of digital ownership for creators, the applications being built by our members have the potential to touch every aspect of our economy.

The United States has always been a leader in technological and financial innovation. To maintain that leadership in the 21st century, we must create a regulatory and tax environment that provides clarity and certainty for both businesses and individuals. If we fail to act, we risk ceding this foundational technology—and the jobs and economic benefits that come with it—to other nations.

Gaps in the Current Tax Framework

The core challenge we face is that our tax code was written for an analog world. Attempting to apply tax principles from the 20th century to 21st-century technology creates ambiguity, imposes undue burdens on consumers, and stifles innovation.

For U.S. businesses, transactions that are commonplace and essential for the functioning of blockchain networks—such as staking rewards, token wrapping, or protocol upgrades—have no clear tax guidance. These gaps in our tax framework force innovators to make difficult choices based on ambiguous interpretations of tax law, chilling development and pushing activity offshore.

For the average American, today's tax treatment of digital assets is simply unworkable. Under current IRS guidance, every single digital asset transaction is a taxable event, no matter how small the transaction. Buying a cup of coffee, streaming a song, or using a digital asset for any other small, daily purchase requires the user to calculate and report a capital gain or loss. This creates a prohibitive compliance burden that discourages the use of digital assets as a medium of exchange—one of their most promising applications. This is a significant gap in our tax framework that hinders mainstream adoption.

[1] Forbes, *Crypto Prices and Market Cap*, https://www.forbes.com/digital-assets/crypto-prices/?sh=366624932478 (last visited Jul. 11, 2025).
[2] National Cryptocurrency Association & The Harris Poll, 2025 State of Crypto Holders Report Jan. 22–Feb. 3, 2025).
[3] *Meet the Blockchain Unicorns Mid-Year 2024*, Blockchain Coinvestors Newsletter (Jul. 2024), https://www.blockchaincoinvestors.com/newsletter/meet-the-blockchain-unicorns-mid-year-2024.

The Crushing Weight of Current and Proposed Tax Compliance Burdens

Not only are taxpayers burdened with calculating their capital gain or loss on every transaction, our tax system requires reporting on each of these transactions, no matter how small, including movements of stablecoins which are designed to have little to no capital gain or loss. Businesses are now required to provide taxpayers a Form 1099-DA for each transaction, burying taxpayers and the IRS alike with mountains of forms reporting individual transactions, large and small, while doing little to address the actual tax gap.

In fact, the IRS estimated that an additional **8 billion** 1099-DA forms could be processed annually.[4] According to the IRS, this would create a compliance burden of over 2 million hours at a cost of $136 million; however, our conservative estimates based on the time required to complete comparable forms like the 1099-B, show a more realistic estimate of **4 billion hours** of paperwork at a cost of over **$250 billion** annually.[5] [6] [7] [8] To put this in perspective, this single rule could increase the *entire* federal paperwork burden for all American taxpayers and businesses by approximately **33%.**[9]

Current information reporting requirements for every digital asset transaction not only burdens individual taxpayers and businesses, but it also creates a tax administration nightmare. IRS officials have stated the IRS lacks the technology infrastructure to adequately process this increase in incoming forms without significant additional investments.[10]

Let me be clear, our industry is deeply committed to upholding U.S. tax laws and helping both our businesses and customers fulfill their tax responsibilities. Accurate, reliable, and reasonable information reporting can play an important role in an effective and fair tax system. A simple, reasonable de minimis exemption would help ameliorate the overwhelming compliance burden on taxpayers and businesses, and the tax administration burden on the IRS, by exempting small dollar transactions from taxation and reporting.

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[4] Jonathan Curry, *IRS Prepping for at Least 8 Billion Crypto Information Returns*, TAX NOTES (Oct. 26, 2023), https://www.taxnotes.com/featured-news/irs-prepping-least-8-billion-crypto-information-returns/2023/10/25/7hhdp.

[5] 89 Fed. Reg. 194 at 81151 (Oct. 7, 2024) (the "Second Notice"), from Treasury.

[6] Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions, 88 Fed. Reg. at 59,619 (Aug. 29, 2023).

[7] Blockchain Association, Comment Request for Digital Asset Proceeds From Broker Transaction; 89 Fed. Reg. 78 at 29433 (Apr. 22, 2024) (the "Notice"), to Internal Revenue Service (Jun. 21, 2024).

[8] U.S. Dep't of the Treasury, *Supporting Statement for Paperwork Reduction Act Submission – Broker Reporting for Digital Assets – Second Notice* (OMB Control No. 1545-NEW) (2024), https://www.reginfo.gov/public/do/DownloadDocument?objectID=146866800.

[9] Inventory of Currently Approved Information Collections, https://www.reginfo.gov/public/do/PRAReport?operation=11 (last visited Jul. 11, 2025).

[10] Curry, *IRS Prepping*, supra note 4.

Tax Clarity is the Lynchpin for Effective Regulation

Over the past year, Congress has made significant bipartisan progress on market structure and stablecoin legislation. We are encouraged by these efforts, which would provide clarity, encourage responsible innovation, and reinforce America's role as the global leader in financial innovation. Just like the need for regulatory clarity for stablecoins and market structure, the industry needs clarity around tax liability.

A company can follow every rule in a new market structure or stablecoin framework, but if its core business activities face an ambiguous and burdensome tax treatment, its ability to operate and innovate in the United States will be severely limited. Clear tax rules are not a separate issue; they are the lynchpin that makes other regulatory efforts work. Providing this clarity will foster significantly greater tax compliance by making the rules understandable and the burdens manageable for millions of American taxpayers.

A Bipartisan Path Forward on Digital Asset Tax

The digital asset industry is seeking clear, sensible rules that are fit for purpose. We believe there is the potential for bipartisan action, building on years of work and thoughtful proposals, including the comprehensive framework introduced by Senators Cynthia Lummis and Kirsten Gillibrand.

We respectfully request that the Committee provide much-needed clarity and support American innovation by considering the following priorities:

> *Exempt de minimis gains and losses from taxation.*
>
> *Clarify the character, source, and timing of income for mining and staking rewards.*
>
> *Clarify certain digital asset transactions are nonrecognition events, including "wrapping" and "unwrapping" a digital asset.*
>
> *Adopt legislation to allow staking in U.S. digital asset investment structures (e.g., ETPs).*
>
> *Extend the mark-to-market accounting method, currently used by commodities dealers and traders, to digital assets.*
>
> *Establish a new safe harbor for foreign persons trading in digital assets.*
>
> *Provide nonrecognition treatment for gains or losses upon digital asset transfers in connection with qualifying loan transactions.*

Allow charitable deductions for digital assets easily valued or regularly traded without requiring a qualified appraisal.

Reconsider provisions of the Infrastructure Investment and Jobs Act (e.g., 6050I) that create barriers to the development of the digital asset industry.

Allow digital assets to be held as investment assets in retirement accounts.

Ensure that any updates to wash sales and constructive sales rules for digital assets only pass as part of a comprehensive digital asset tax package.

Make research and development eligibility for blockchain development explicit.

Conclusion

Chairman Schweikert, Ranking Member Sewell, and Members of the Subcommittee, the United States is at a critical juncture. We can either adopt clear, bipartisan rules that cement our role as the global leader in financial technology, or we can continue with an outdated and ambiguous framework that is burdensome, confusing for taxpayers, and unsuited for fostering innovation and encouraging business growth in the United States.

Comprehensive, sustainable, timely, and fair tax legislation for digital assets is essential for our economic competitiveness. It will foster greater tax compliance by making the rules clear and the burdens manageable. Blockchain Association and its members are eager and willing partners in this effort. We stand ready to serve as a resource to you and your staff.

Thank you for your time and leadership on this critical issue. I look forward to answering your questions.