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SUPPORTING STATEMENT
Internal Revenue Service
Form 1099-DA, Digital Asset Proceeds From Broker Transactions
OMB Control Number 1545-NEW

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 6045(a) of the Internal Revenue Code (Code)¹ and the related Treasury Regulations require persons doing business as brokers to submit an information return (Form 1099-DA) to the Internal Revenue Service (IRS) to report their customers' gross proceeds and other information from digital asset transactions.

2. USE OF DATA

The reporting requirements that section 6045(a) places on persons treated as brokers allows the IRS to verify broker compliance with the information reporting rules and to verify that the broker's customers have included the proper amount of income on their tax returns as required by the Code. Treasury Regulation § 1.6045-1 requires brokers to report their customers' digital asset transactions to the IRS, give their customers copies of the information reported to the IRS, and keep records of the reported transactions.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 1099-DA will be available.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The Treasury Department and the IRS considered alternatives that would have created either an exception to reporting, or a delayed applicability date, for small business brokers but decided against such alternatives for several reasons. One of the main purposes of these regulations is to eliminate the tax gap associated with digital asset sales. Because it is anticipated that 9,500 of the 9,700 (or 98 percent) of impacted brokers could be small businesses, any exception or delay to the information reporting rules for small business brokers would substantially reduce the effectiveness of these final regulations. In addition, such an exception or delay could have the unintended effect of incentivizing taxpayers that want to hide their income from the IRS to move their business to excepted small business brokers, thus thwarting IRS efforts to identify taxpayers engaged in unreported digital asset transactions. Additionally, because the information reported on statements furnished to the broker's customers (customer statements) will likely aid those customers in their tax return preparation, applying the regulations to small

¹ Unless otherwise stated, all section references are to the Internal Revenue Code of 1986 (as amended) or to the regulations thereunder.

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business brokers will enable those brokers to offer their customers the same amount of useful information as their larger competitors. Finally, to the extent the brokers' customers are themselves small businesses, this reporting will help these small businesses with their own tax preparation.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

The information returns and customer statements required by section 6045 and the regulations are filed and furnished annually. A less frequent collection will not enable the IRS to verify that digital asset transactions are being properly reported in accordance with section 6045(a) or that the recipient has included the proper amount of income on his or her tax return to comply with the Internal Revenue Code and would therefore hinder the ability of the IRS to meet its mission.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

In response to the Federal Register notice dated April 22, 2024, 89 FR 29433, IRS received 16 comments from the public related to Form 1099-DA. The full list of comments will be included with the submission to the Office of Management and Budget (OMB); see supporting documents. The summary of the comments and the IRS response are below:

I. Commenter Category – Form 1099-DA

a. Box – Broker Type

- i. Summary of Comments: Several comments (9) indicated that the broker type involved in the transaction should not be included on the Form 1099-DA because the information would not assist taxpayers and would be unduly burdensome for brokers.
- ii. IRS Response: Although this information could have helped the IRS identify transactions that should be subject to enhanced scrutiny, given the increased burden that tracking and reporting this information would cause brokers, the IRS agrees that this question should be removed from the Form 1099-DA.
- iii. How Form 1099-DA is Affected: The box “Broker Type” has been removed from Form 1099-DA.

b. Box – Explanation for Missing TIN

- i. Summary of Comments: Several comments (10) requested that the box “explanation if no recipient TIN” be explained, revised to be a check box, or removed altogether from the Form 1099-DA. The reasons for this request

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included: the information does not assist taxpayers; there is additional burden associated with providing this information; use of a text box without a choice of responses will lead to errors; and the existing backup withholding rules are sufficient to encourage broker compliance with collecting TINs.

- ii. IRS Response: Although the box would have explained why the broker did not report the customer's TIN (as opposed to being an inadvertent error), the IRS agrees that this box could cause confusion and burden for brokers and thus should be removed from the Form 1099-DA.
- iii. How Form 1099-DA is Affected: The box "Explanation if No Recipient TIN" has been removed from Form 1099-DA.
- c. Box – Tokenized Securities Information
 - i. Summary of Comments: Several comments (7) requested that boxes requesting information about traditional financial products should be removed from the Form 1099-DA, specifically the "CUSIP" box, Box 1h "Accrued Market Discount," Box 1i "Wash Sales Loss Disallowed," and Box 5 "Check if loss is not allowed based on amount in 1f." These comments asserted that digital assets that were also securities (dual classification assets) should be reported on the Form 1099-B instead of Form 1099-DA. If the information is reported on Form 1099-B, the information would not be necessary for Form 1099-DA.
 - ii. IRS Response: The final regulations did not adopt the recommendation to require reporting of dual classification assets on the Form 1099-B. Instead, the final regulations clarified that brokers should report the information required by the boxes addressing traditional financial products only when the transaction involves a dual classification asset that is a tokenized security under Treasury Regulation § 1.6045-1(c)(8)(i)(D)(1). Accordingly, the boxes requesting information about traditional financial products referenced by the comments must remain on the Form 1099-DA so that brokers can report this additional information on tokenized securities. It should be noted that the information required is the same as that which otherwise would have been required on Form 1099-B.
 - iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments. The instructions to Form 1099-DA include an explanation of this requirement.
- d. Box 1 – Digital Asset Codes
 - i. Summary of Comments: Several comments (5) requested that the box asking for the digital asset name and the box asking for the code for the digital asset name be removed from Form 1099-DA. These comments recommended making the Form 1099-DA consistent with the Form 1099-B by replacing the box asking for the code for the digital asset name with a box asking for a

description of the property. Additionally, the comments expressed concern about the IRS managing a list of digital asset codes.

- ii. IRS Response: For standardization purposes, a code for the name of each digital asset is essential to the Form 1099-DA. The Digital Token Identifier Foundation (DTIF) has been approved by the International Organization for Standardization (ISO) to give unique identifiers to each digital asset. The IRS intends to follow the identifiers (codes) created by DTIF for this purpose. Additionally, including a box with the digital asset name will allow the broker's customers to know which asset was reported to the IRS on the Form 1099-DA when they prepare their tax return without having to reference the list of digital asset codes.
 - iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments. The codes used in box 1a reference the DTIF identifier codes. The instructions to Form 1099-DA tell brokers how to access and use the DTIF identifier codes.
- e. Box 1 – Coordinated Universal Time (UTC)
 - i. Summary of Comments: Several comments (6) requested that the Form 1099-DA not include timestamps. Additionally, if timestamps are included, these comments requested that the time be reported in something other than UTC. The reasons provided included that the time of transaction information is not necessary for the IRS or taxpayers.
 - ii. IRS Response: In response to comments received on the proposed regulations, the IRS removed the requirement to report the time of the transaction in the final regulations. Accordingly, the box requesting this information should be removed.
 - iii. How Form 1099-DA is Affected: References to UTC, including the box requiring timestamps, have been removed from the Form 1099-DA.
- f. Box 3 – Collectibles / Qualified Opportunity Funds (QOF)
 - i. Summary of Comments: Two comments requested that the Form 1099-DA add a check box, like that on the Form 1099-B, indicating whether the disposed digital asset is a QOF or a collectible. According to the comments, this information would be useful to the IRS and taxpayers in determining whether the digital asset is subject to different tax treatment under these rules.
 - ii. IRS Response: Regarding the request to add a check box indicating that the digital asset is a QOF, the IRS agrees that this information would be helpful to both taxpayers and the IRS. Regarding the request to add a check box indicating that the digital asset is a collectible, the rules establishing if and when a digital asset is a collectible have not been issued. Notice 2023-27, 2023-15 I.R.B. 634 (April 10, 2023) requested comments generally on the treatment of NFTs as collectibles under section 408(m). The IRS is studying the

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comments received in response to this notice in developing guidance regarding the treatment of an NFT as a collectible. Until that guidance is issued, brokers would have no way of determining whether a digital asset is a collectible. Accordingly, at this time, it is premature to include a “collectible” checkbox on Form 1099-DA.

- iii. How Form 1099-DA is Affected: Form 1099-DA includes two check boxes: (1) QOF to indicate that the digital asset represents an interest in a QOF, and (2) a box reserved for further use later as a collectibles checkbox once additional guidance on that issue is provided.
- g. Box 5 – Check if loss is not allowed based on amount in 1f
 - i. Summary of Comments: Two comments requested additional guidance with respect to what constitutes a “reportable change in control or capital structure” for purposes of this box.
 - ii. IRS Response: Additional instructions will be included in the 1099-DA filing instructions.
 - iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments. The instructions to Form 1099-DA include an explanation of this requirement.
- h. Boxes 7-9 – Non-Cash Proceeds
 - i. Summary of Comments: Three comments requested changes to these boxes related to non-cash proceeds. The comments expressed concern that taxpayers who are the broker’s customers do not need to know this information and that including this text box would increase compliance burdens.
 - ii. IRS Response: The purpose of reporting the non-cash proceeds is to allow the IRS to be able to distinguish between digital asset transactions involving different categories of consideration because dispositions for cash do not raise the same valuation concerns as dispositions for different digital assets, other property, or services. However, this purpose can be accomplished with a less burdensome approach that requires brokers to report whether the consideration received by the customer was solely cash proceeds. That is, if the proceeds were not solely cash, the IRS will know that the transaction potentially could give rise to valuation concerns.
 - iii. How Form 1099-DA is Affected: Boxes 7a, 7b, and 8 on the initial draft Form 1099-DA have been replaced with a single box for the broker to check if the proceeds consisted of only cash.
- i. Box 10 – Noncovered Security
 - i. Summary of Comments: Several comments (7) suggested removing the question asking why the digital asset is a noncovered security. The comments said this information is not solicited on the Form 1099-B for traditional securities. Therefore, it should not be solicited on the Form 1099-DA.

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Additionally, the comments said the information is not useful to taxpayers or the IRS and keeping track of this will be burdensome for brokers.

- ii. IRS Response: The IRS anticipates that information provided in response to this question will be useful in assessing risk of noncompliance. Additionally, taxpayers will likely want to understand why the customer statements they receive from their brokers do not report the basis of the digital assets they sold. Additionally, brokers already need to keep track of this information in order to determine whether they are required to report the basis of the digital asset sold. Accordingly, responding to this question should not be overly burdensome. Finally, a comparison to the information required by the Form 1099-B is not relevant in this regard because there are many more reasons why a digital asset may be a noncovered security.
 - iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments. To make the Form 1099-DA easier to understand for the recipient, the reasons provided on the face of the form have been updated.
- j. Boxes 11 and 12 – Digital asset address and transaction ID
- i. Summary of Comments: Several comments (8) recommended removing the requirement to report digital wallet addresses and transaction identification numbers. The reasons for removing this information from the Form 1099-DA related the belief that the information was not helpful to the taxpayer in the preparation of their return.
 - ii. IRS Response: Although transaction ID and digital asset address information would provide uniquely helpful visibility into a taxpayer's transaction history which the IRS could use to verify taxpayer compliance with past tax reporting obligations, in response to similar comments received on the proposed regulations, the final regulations remove the obligation to report transaction ID and digital asset address information.
 - iii. How Form 1099-DA is Affected: All boxes that requested information related to transaction ID and digital asset address information have been removed from the Form 1099-DA.
- k. Form Layout
- i. Summary of Comments: Several comments (3) recommended redesigning the Form 1099-DA to make it easier for recipients to understand. Specifically, they recommended redesigning the Form to mimic the Form 1099-B and to focus on information taxpayers need to complete their income tax returns.
 - ii. IRS Response: The IRS agrees with the suggestion to remove certain information from the Form 1099-DA, specifically broker type, explanation for missing TIN, references to UTC, and digital asset address and transaction ID information. Removal of this information makes the Form 1099-DA closer in appearance to Form 1099-B. Other information will still be required on the

Form 1099-DA where the information will be helpful to the IRS or taxpayers, as discussed above.

- iii. How Form 1099-DA is Affected: The Form 1099-DA has been revised to reflect the final regulations and requests information required to be reported by the regulations, as discussed above.

II. Commenter Category – Other Form 1099-DA Comments

a. Type of Broker – Noncustodial Brokers

- i. Summary of Comments: Several comments (6) indicated that brokers that facilitate customer transactions through the use of computer software protocols without taking possession of their customers' digital assets (noncustodial brokers) would be unable to complete the Form 1099-DA. These comments indicated that the definition of who is a broker was not clearly defined, was overbroad as applied to noncustodial brokers, and could lead to duplicative filings. In addition, these comments asserted that noncustodial brokers do not have access to the information necessary to complete Form 1099-DA and would be unable to adequately safeguard their customer's personal identifying information if required to collect it. Additionally, they asserted that noncustodial brokers would be unable to perform backup withholding on customers that refuse to supply their name and tax identification number to the broker.
- ii. IRS Response: The final regulations stated that Treasury and the IRS would benefit from additional consideration of issues involving non-custodial industry participants. Accordingly, the final regulations do not apply to digital asset transactions facilitated by noncustodial brokers.
- iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments. The instructions to Form 1099-DA include an explanation of which brokers are required to use the form to report their customers' digital asset transactions.

b. Type of Broker – Processor of digital asset payments (PDAP)

- i. Summary of Comments: One comment requested the Form 1099-DA reflect their position that PDAPs that are also payment settlement entities under section 6050W are only required to report to the IRS on a Form 1099-K with respect to the merchant receiving digital asset payments facilitated by the broker and not on the person (buyer) making that payment with digital assets.
- ii. IRS Response: The reporting required under section 6050W reflects the payments made to merchants. That reporting is not required with respect to buyers making payments with property, such as digital assets. Accordingly, the reporting under section 6045 with respect to payments made using digital assets is not in any way duplicative of the reporting required by section 6050W and is necessary to ensure that gross proceeds and any income from

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the use of digital asset to make payments are reported by buyers on their Federal income tax returns.

- iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments. The instructions to Form 1099-DA include an explanation of which brokers are required to report.

c. Type of Broker – Real Estate Reporting

- i. Summary of Comments: One comment requested that real estate reporting persons that are treated as brokers under section 6045 not be required to file Form 1099-DA with respect to real estate buyers that pay with digital assets. The comment suggested that these brokers alternatively be permitted to report on a real estate seller's receipt of digital assets on the Form 1099-S along with the buyer's name, address, and certified TIN.
- ii. IRS Response: The broker reporting regulations require Form 1099-S to be furnished to the real estate seller. It would be inappropriate, however, to require brokers to disclose the real estate buyer's TIN to the real estate seller. Moreover, the Form 1099-S is not furnished to the real estate buyer. As a result, real estate buyers would not receive the information they need about their digital asset transactions to complete their income tax returns.
- iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments. The instructions to Form 1099-DA include an explanation of which brokers are required to report.

d. Multiple Brokers

- i. Summary of Comments: Several comments (6) indicated the lack of a multiple broker rule in the proposed regulations would lead to duplicative reporting.
- ii. IRS Response: Based on the comments received on the proposed regulations, Treasury Regulation § 1.6045-1(c)(3)(iii)(B) adopts a multiple broker rule for digital asset brokers that requires the broker crediting the customer's wallet or account to report the transaction to the IRS when more than one digital asset broker would otherwise have a reporting obligation with respect to a digital asset transaction.
- iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments. The instructions to Form 1099-DA include an explanation of which broker is required to report when multiple brokers would otherwise be required to report.

e. Customer Statements– Composite or substitute forms

- i. Summary of Comments: Comments (3) requested the ability to furnish a composite or substitute Form 1099-DA to their customers to make the information easier for their customers to read.
- ii. IRS Response: Treasury Regulation § 1.6045-1(k)(3) already permits brokers to use composite customer statements. IRS Pub. 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other

Information Returns, provides instructions for the use of these substitute customer statements. The contents of Form 1099-DA does not impact the ability to use composite or substitute customer statements.

- iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of this comment.
- f. Customer Statements–Delivery Method
 - i. Summary of Comments: Comments (2) requested alternative delivery methods for the customer statements that must be furnished to the brokers customers. Specifically, one comment requested electronic delivery of the customer statements to customers as the default delivery method. Another comment indicated that there is increased burden associated with requiring customer statements be mailed to the customer’s last known address on file.
 - ii. IRS Response: The law and regulations do not permit an alternative delivery method to customers without customer approval. This requirement is discussed in the annually updated Revenue Procedure, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns (Rev. Proc. 2023-30 and Pub. 1179). Moreover, the contents of Form 1099-DA do not impact the requirement to obtain prior consent before furnishing customer statements electronically.
 - iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of this comment.
- g. Combined Federal State Filing (CF/SF)
 - i. Summary of Comments: One comment suggested the IRS should add Form 1099-DA to the CF/SF program.
 - ii. IRS Response: The CF/SF program is a program in which approved electronic filers consent to the IRS’s disclosure of return information to participating states. The process for including Form 1099-DA in the CF/SF program is separate from the requirement to file Form 1099-DA with the IRS.
 - iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of this comment.
- h. Filer Instructions
 - i. Summary of Comments: Several comments (6) requested a copy of the filer instructions so they can be reviewed during the comment period for the Form 1099-DA.
 - ii. IRS Response: The IRS is including a copy of the filer instructions with this OMB submission. There will be an additional 30-day comment period beginning on the date a second Notice and request for comments on the collection of information requirements related to the broker regulations.
 - iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of this comment.
- i. Burden Analysis

- i. Summary of Comments: Four comments addressed the burden analysis in the regulations. They claimed the analysis was incorrect because the estimate is based on responses per customer rather than on a per-form basis. The comments recalculated the burden using an estimated 8 billion forms based on a comment by the former Director of Digital Assets for the IRS.
- ii. IRS Response: The burden estimate is based on the number of customers who will receive customer statements DA rather than the number of Forms 1099-DA that the broker must file with respect to each customer receives because the primary broker burden is related to the system design and implementation required by the regulations. The burden associated with each additional Form 1099-DA required to be filed is expected to be marginal compared with the cost of implementing the reporting system for each customer. The reference to 8 billion returns was not an estimate of the number of forms the IRS expected to receive under the proposed or final regulations. Moreover, the optional method for reporting of qualified stablecoins and certain NFTs, which permit reporting of transactions on an aggregate basis after the implementation of de minimis thresholds, should further reduce the number of forms the IRS will receive under the final regulations.
- iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments.

III. Commenter Category – Indirectly Related to the Form 1099-DA

a. Backup Withholding

- i. Summary of Comments: Two comments discussed issues with respect to backup withholding under section 3406 for transactions involving digital assets. These issues include valuation concerns, the difficulty of withholding on digital assets that cannot be fractionalized, and potential concerns implementing withholding for transactions as of January 1, 2025.
- ii. IRS Response: Notice 2024-56, 2024-29 I.R.B. 64 (July 15, 2024), provides, among other things, certain relief from penalties and backup withholding: for any sale of a digital asset effected by a broker during calendar year 2025; for any sale of a digital asset effected by a broker in return for specified NFTs; for any digital asset for real property sale effected by a real estate reporting person; and for certain sales of digital assets effected by processors of digital asset payments. Additionally, the notice provides transitional relief from backup withholding and penalties for brokers who fail to backup withhold and pay the full backup withholding tax due if such failure is due to a decrease in the value of withheld digital assets in a sale of digital assets in return for different digital assets effected on or before December 31, 2026, and the broker immediately liquidates the withheld digital asset for cash.

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- iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments. The instructions to Form 1099-DA include an explanation of this requirement.
- b. Timing of realization event
 - i. Summary of Comments: One comment requested the Form 1099-DA reflect their views that cryptocurrency should only be taxed when it is sold for cash and that the exchange of digital assets for other digital assets or services should not be treated as taxable events.
 - ii. IRS Response: The IRS has determined that treating an exchange of digital assets for digital assets is a realization event, within the meaning of section 1001(a) and existing precedents. This treatment is consistent with longstanding legal principals. Accordingly, Treasury Regulation § 1.1001-7(b)(1) and (b)(1)(iii)(C) treat such an exchange as a realization event.
 - iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of this comment.
- c. Impact of reporting on the digital asset industry
 - i. Summary of Comments: One comment disagreed with the underlying premise of the regulations that digital asset transactions should be subject to reporting under section 6045. This comment stated that the Form 1099-DA is premature because: a digital asset is not a stock; reporting on digital assets will threaten the digital asset industry; the digital asset industry is unregulated and therefore should not be subject to tax; the IRS should wait for Congressional action before requiring reporting; and that digital asset uses and reporting need to be further examined.
 - ii. IRS Response: Section 80603 of the Infrastructure Investment and Jobs Act amended section 6045 by clarifying and expanding the rules regarding how digital asset brokers should report their customers' digital asset transactions. The regulations requiring reporting on digital asset transactions are based on this clear statutory amendment.
 - iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of this comment.
- d. Special Reporting Rules
 - i. Summary of Comments: Several comments (5) requested special reporting rules including: de minimis reporting, aggregate reporting, and a reporting exception for non-fungible tokens (NFTs) and stablecoins.
 - ii. IRS Response: In response to the comments received on the proposed regulations, the final regulations include a de minimis rule for PDAPs. Additionally, the final regulations include an optional alternative reporting method for sales of certain NFTs and qualifying stablecoins to allow for aggregate reporting instead of transactional reporting, with a de minimis threshold below which no reporting required.

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- iii. How Form 1099-DA is Affected: The Form 1099-DA includes box 11a, 11b, and 11c for brokers to provide information under the optional alternative reporting method. No other changes will be made to Form 1099-DA as a result of this comment.
- e. International
 - i. Summary of Comments: One comment said the instructions should not consider certain indicia of U.S. status (added in the proposed regulations) with respect to when brokers must treat customers as U.S. persons.
 - ii. IRS Response: The final regulations do not include any of the additional indicia that were included in proposed regulations for U.S. digital asset brokers. Moreover, the indicia information was not included on the Form 1099-DA.
 - iii. How Form 1099-DA is Affected: No changes will be made to Form 1099-DA as a result of this comment.
- f. Timing
 - i. Summary of Comments: Several comments (7) requested a delay in the effective or applicability date of the regulations and the filing of Form 1099-DA.
 - ii. IRS Response: The final regulations were filed with the Federal Register on June 28, 2024, and published on July 9, 2024. Under these regulations, brokers have over 18 months before they are required to file Form 1099-DA. Additionally, Notice 2024-56, 2024-29 I.R.B. 64 (July 15, 2024), provides transitional relief for brokers reporting digital asset transactions effected in calendar year 2025.
 - iii. How Form 1099-DA is Affected: No changes have been made to Form 1099-DA as a result of these comments.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by section 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the "Business Master File (BMF)" system and the "Information Return Master File". A Privacy Act System of Records notice (SORN) has been issued for this system under IRS 22.061 – Information Return Master File, IRS 24.030 Customer Account Data Engine Individual Master File and IRS 24.046-Customer Account Data Engine Business Master File. The Internal Revenue Service PIAs can be found at <http://www.treasury.gov/privacy/PIAs/Pages/default>.

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Section 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

IRS estimate that 13 to 16 million customers may be impacted by this collection (mid-point of 14.5 million responses). A reasonable burden estimates for the average time to complete these forms for each customer is 9 minutes (0.15 hours). IRS estimates that approximately 900 to 9,700 respondents will be impacted (mid-point of 5,300 respondents). IRS estimate the average time burden per respondent will be approximately 425 hours, with an estimate of \$65.49 per hour², so the total monetized time is estimated at \$28,000 per respondent.

The burden estimate is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
6045(a)	Form 1099-DA	5,300	2,736	14,500,800	0.15533	2,252,500
Totals		5,300				2,252,500

The following regulations impose no additional burden.

1.6045-1

1.6045-4

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

This information collection will be included in the consolidated OMB submission for information returns currently being developed. IRS is working on the methodology for evaluating information return burden and cost; and will update the cost and burden estimates as part of the consolidation.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The Federal government cost estimate is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized start-up expenses, operating and maintenance expenses, and distribution of the product that collects the information.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables such as complexity, number of pages, type of product and frequency of revision.

² The upper bound is set using rates from the BLS Occupational Employment Statistics (OES) and the BLS Employer Costs for Employee Compensation from the National Compensation Survey. Specifically, the estimate uses the 90th percentile for accountants and auditors from the OES and the ratio of total compensation to wages and salaries from the private industry workers (management, professional, and related occupations) to account for fringe benefits.

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Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries, and other outlets. The result is the Government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form	\$ 91,314	+	\$ 3,160	=	\$ 94,474
Form Instructions	\$ 11,414	+	\$ 981	=	\$ 12,395
Grand Total	\$102,728	+	\$ 4,141	=	\$106,869
Table costs are based on 2023 actuals obtained from IRS Chief Financial Office and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

This is a new paperwork burden approval. Based on the new statute, the burden for Form 1099-DA is 14,500,800 responses and 2,252,500 hours for the total burden.

	Total Approved	Change Due to New Statute	Change Due to Agency Discretion	Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	0	14,500,800	0	0	0	0
Annual Time Burden (Hr)	0	2,252,500	0	0	0	0

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis, and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the form sunsets as of the expiration date. Taxpayers are not likely to be aware that the IRS intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement for this collection.