



CALIFORNIA, 32ND DISTRICT

CONGRESSMAN BRAD SHERMAN

June 5, 2023

The Honorable Janet L. Yellen  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

The Honorable Daniel I. Werfel  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, D.C. 20224

Dear Secretary Yellen and Commissioner Werfel,

We write to express our deep concern about the state of tax compliance by the cryptocurrency industry. For years now, that industry has been a major source of tax evasion and a significant part of the nation's tax gap.

Back in September 2020, the Treasury Inspector General for Tax Administration (TIGTA) issued an audit report in which it found that "[t]he IRS cannot easily identify taxpayers with virtual currency transactions because of the lack of third-party information reporting that specifically identifies virtual currency transactions."<sup>1</sup> A year later, Congress passed, the *Infrastructure Investment and Jobs Act*, which required cryptocurrency brokers to begin tracking and reporting their customers' crypto transactions in order to report those transactions to the IRS.<sup>2</sup> The law clearly states that taxpayers should begin receiving 1099's for tax filing year 2023.

Late this past December, the Treasury Department announced that cryptocurrency brokers would not have to track their customers' transactions for tax reporting purposes until it issued final regulations about this requirement<sup>3</sup>. It is our understanding, Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA) completed its review of the proposed regulations in February.<sup>4</sup> It is now May, and the proposed regulations have yet to be promulgated.

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<sup>1</sup> Treasury Inspector General for Tax Administration, *The Internal Revenue Service Can Improve Taxpayer Compliance for Virtual Currency Transactions* (Sept. 24, 2020) at 10, available at <https://www.tigta.gov/sites/default/files/reports/2023-01/202030066fr.pdf>.

<sup>2</sup> *Infrastructure Investment and Jobs Act*, H.R. 5376, 117th Cong. § 80603 (2021).

<sup>3</sup> Internal Revenue Service, *Announcement 2023-2* (Dec. 23, 2022), available at <https://www.irs.gov/pub/irs-drop/a-23-02.pdf>.

<sup>4</sup> Erin Slowey, *Crypto Broker Reporting Rule Leaves White House Review*, Bloomberg Tax (Feb. 24, 2023), at <https://news.bloombergtax.com/daily-tax-report/crypto-broker-reporting-rule-leaves-white-house-review>.

The cryptocurrency industry had all of 2022 to prepare for the infrastructure law's tax reporting requirements and now it apparently gets 2023 off as well. We hope Treasury/IRS will promptly release the proposed regulations so we can close the tax gap and bring the cryptocurrency industry into full tax compliance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brad Sherman".

BRAD SHERMAN  
Member of Congress  
Ranking Member  
Subcommittee on Capital Markets

A handwritten signature in blue ink, appearing to read "Stephen Lynch".

STEPHEN LYNCH  
Member of Congress  
Ranking Member  
Subcommittee on Digital Assets, Financial  
Technology and Inclusion