

Congress of the United States
Washington, DC 20515

April 11, 2019

Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue N.W.
Washington, D.C. 20224

Dear Commissioner Rettig,

We are writing to urge the Internal Revenue Service (IRS) to issue needed guidance on the tax consequences and basic reporting requirements for taxpayers that use virtual currencies. Taxpayers deserve clarity on several basic unanswered questions regarding federal taxation of these emerging exchanges of value.

It has been over a decade since the IRS National Taxpayer Advocate identified, in its 2008 Annual Report, that the ambiguous tax treatment of virtual property and currency transactions was one of “the most serious problems encountered by taxpayers,” and nearly five years since your agency released preliminary guidance on the issue. Over two years ago, the Inspector General for Tax Administration found that 2014 guidance lacking and recommended that the IRS “should take action to provide updated guidance to reflect the documentation requirements and tax treatments needed for the various uses of virtual currencies.” Your Service agreed.

While we acknowledge and appreciate the guidance your agency released in 2014, there is still substantial ambiguity on a number of important questions about the federal taxation of virtual currencies. In particular, we feel there is urgent need for guidance on the following issues:

1. Acceptable methods for calculating the cost basis of virtual currencies. Which specific methods does the IRS consider to constitute “a reasonable manner that is consistently applied,” as required by Notice 2014-21?
2. Acceptable methods of cost basis assignment and lot relief for virtual currencies. Do taxpayers need to use specific identification whenever they spend or exchange virtual currency, or are other methods, such as first-in-first-out or average cost basis, acceptable as well?
3. The tax treatment of forks for taxpayers that use virtual currencies, such as the 2017 hard fork of the Bitcoin blockchain.

There are many other open questions about the federal taxation of virtual currencies, but we feel that there is particular urgency in resolving the ambiguity around basic questions of how taxpayers should calculate and track the basis of their virtual currency holdings. It is not reasonable to expect taxpayers to satisfactorily answer these complex questions while the IRS remains silent.

We urge the IRS to issue more robust guidance clarifying taxpayers' obligations when using virtual currencies. In addition, we respectfully request a written response to this letter describing the IRS's efforts to issue updated virtual currency guidance, including what topics will be covered and what timeline for release is anticipated. Please submit your written response to us by May 15, 2019.

We appreciate your prompt response to this request and look forward to working with you on these and other issues facing United States taxpayers.

Sincerely,



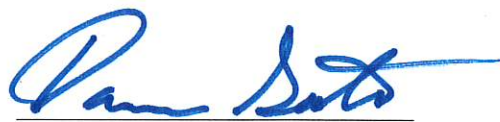
Tom Emmer
Member of Congress



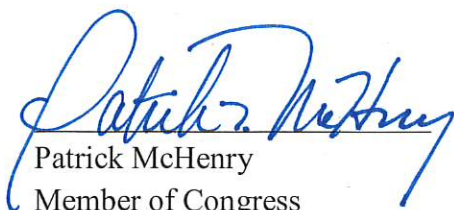
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Member of Congress



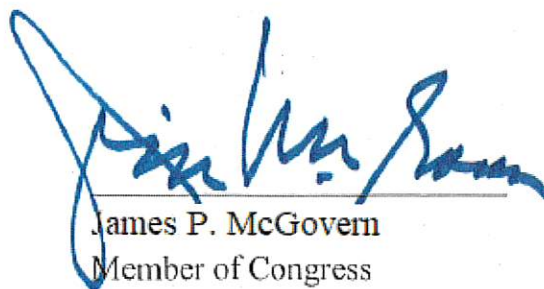
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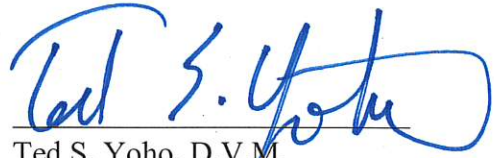
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