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(Original Signature of Member)

119TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to clarify the application of certain rules with respect to the trading of digital assets, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

Mr. KUSTOFF introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Internal Revenue Code of 1986 to clarify the application of certain rules with respect to the trading of digital assets, and for other purposes.

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 “Providing Analogous Rules for Digital Assets Act” or the  
6 “PAR Act”.

7 (b) **REFERENCES.**—Except as otherwise expressly  
8 provided, whenever in this Act an amendment or repeal

1 is expressed in terms of an amendment to, or repeal of,  
2 a section or other provision, the reference shall be consid-  
3 ered to be made to a section or other provision of the In-  
4 ternal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—The table of contents for  
6 this Act is as follows:

- Sec. 1. Short title; etc.
- Sec. 2. Transfers of traded digital assets pursuant to a lending agreement.
- Sec. 3. Dealers and traders of widely traded digital assets.
- Sec. 4. Digital asset trading safe harbor.
- Sec. 5. Definitions.
- Sec. 6. Rules of construction.

7 **SEC. 2. TRANSFERS OF TRADED DIGITAL ASSETS PURSU-**  
8 **ANT TO A LENDING AGREEMENT.**

9 (a) IN GENERAL.—Subsections (a) and (b) of section  
10 1058 are each amended by striking “securities” each place  
11 it appears and inserting “specified assets”.

12 (b) SPECIFIED ASSETS.—Section 1058 is amended  
13 by adding at the end the following new subsection:

14 “(d) SPECIFIED ASSETS.—For purposes of this sec-  
15 tion, the term ‘specified assets’ means—

16 “(1) securities (as defined in section 1236(c)),

17 and

18 “(2) traded digital assets.”

19 (c) TREATMENT OF CERTAIN LEGAL ENTITLEMENTS  
20 AND OBLIGATIONS WHICH ACCRUE DURING PERIOD OF  
21 AGREEMENT.—Section 1058(b)(2) is amended to read as  
22 follows:

1 “(2) require that—

2 “(A) payments shall be made to the trans-  
3 feror of amounts equivalent to, except as other-  
4 wise provided by the Secretary, all interest,  
5 dividends, property, legal entitlements, and  
6 other distributions which the owner of the spec-  
7 ified assets is entitled to receive during the pe-  
8 riod beginning with the transfer of the specified  
9 assets by the transferor and ending with the  
10 transfer of identical specified assets back to the  
11 transferor, and

12 “(B) in the case of any transfer of traded  
13 digital assets, the transferor shall assume all  
14 obligations imposed on the owner of such trad-  
15 ed digital assets during the period described in  
16 subparagraph (A),”.

17 (d) CONFORMING AMENDMENTS.—

18 (1) Section 1058(a) is amended by striking “(as  
19 defined in section 1236(c))”.

20 (2) The heading of section 1058, and the item  
21 relating to section 1058 in the table of sections for  
22 part IV of subchapter O of chapter 1, are each  
23 amended by striking “securities” and inserting  
24 “specified assets”.

1 (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to transfers made after the date  
3 of the enactment of this Act.

4 **SEC. 3. DEALERS AND TRADERS OF WIDELY TRADED DIG-**  
5 **ITAL ASSETS.**

6 (a) IN GENERAL.—Section 475 is amended by redess-  
7 ignating subsection (g) as subsection (h) and by inserting  
8 after subsection (f) the following new subsection:

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

11 “(1) IN GENERAL.—In the case of a dealer in  
12 covered digital assets who elects the application of  
13 this subsection, this section shall apply to covered  
14 digital assets held by such dealer in the same man-  
15 ner as this section applies to securities held by a  
16 dealer in securities.

17 “(2) COVERED DIGITAL ASSET.—For purposes  
18 of this section, the term ‘covered digital asset’  
19 means—

20 “(A) any widely traded digital asset,

21 “(B) any notional principal contract with  
22 respect to any widely traded digital asset,

23 “(C) any evidence of an interest in, or a  
24 derivative instrument in, any widely traded dig-  
25 ital asset described in subparagraph (A) or (B),

1 including any option, forward contract, futures  
2 contract, short position, and any similar instru-  
3 ment in such widely traded digital asset, and

4 “(D) any position which—

5 “(i) is not a covered digital asset de-  
6 scribed in subparagraph (A), (B), or (C),

7 “(ii) is a hedge with respect to such  
8 a covered digital asset, and

9 “(iii) is clearly identified in the tax-  
10 payer’s records as being described in this  
11 subparagraph before the close of the day  
12 on which it was acquired or entered into  
13 (or such other time as the Secretary may  
14 by regulations prescribe).

15 “(3) ELECTION.—An election under this sub-  
16 section may be made without the consent of the Sec-  
17 retary. Such an election, once made, shall apply to  
18 the taxable year for which made and all subsequent  
19 taxable years unless revoked with the consent of the  
20 Secretary.”.

21 (b) APPLICATION OF MARK TO MARKET RULES TO  
22 COVERED DIGITAL ASSETS.—Section 475(f) is amend-  
23 ed—

1 (1) in the heading, by striking “OR COMMOD-  
2 ITIES” and inserting “, COMMODITIES, OR COVERED  
3 DIGITAL ASSETS”,

4 (2) by redesignating paragraph (3) as para-  
5 graph (4) and by inserting after paragraph (2) the  
6 following new paragraph:

7 “(3) TRADERS IN COVERED DIGITAL ASSETS.—  
8 In the case of a person who is engaged in a trade  
9 or business as a trader in covered digital assets and  
10 who elects to have this paragraph apply to such  
11 trade or business, paragraph (1) shall apply to cov-  
12 ered digital assets held by such trader in connection  
13 with such trade or business in the same manner as  
14 paragraph (1) applies to securities held by a trader  
15 in securities.”, and

16 (3) in paragraph (4), as so redesignated, by  
17 striking “paragraphs (1) and (2)” and inserting  
18 “paragraphs (1), (2), and (3)”.

19 (c) TREATMENT OF COVERED DIGITAL ASSETS  
20 WHICH ARE SECURITIES OR COMMODITIES.—Section  
21 475(d) is amended by adding at the end the following new  
22 paragraph:

23 “(4) TREATMENT OF COVERED DIGITAL ASSETS  
24 WHICH ARE SECURITIES OR COMMODITIES.—In the  
25 case of any covered digital asset which is a security

1 or commodity (determined without regard to this  
2 paragraph), such covered digital asset shall not be  
3 treated as a security or commodity for purposes of  
4 subsections (b) through (g).”.

5 (d) TREATMENT OF ADJUSTMENTS ATTRIBUTABLE  
6 TO ELECTION OF MARK TO MARKET.—Section 475(d), as  
7 amended by subsection (c), is amended by adding at the  
8 end the following new paragraph:

9 “(5) ADJUSTMENTS ATTRIBUTABLE TO MARK  
10 TO MARKET TREATMENT OF SECURITIES, COMMOD-  
11 ITIES, OR COVERED DIGITAL ASSETS.—In the case of  
12 an adjustment described in section 481(a) by reason  
13 of the application of subsection (a), (e), (f), or (g)  
14 of this section, the character of any income or loss  
15 with respect to any property as a result of such ad-  
16 justment shall be the same as the character of the  
17 gain or loss which would have resulted from the sale  
18 of such property as of the close of the taxable year  
19 preceding the year of the change (within the mean-  
20 ing of section 481) under the method of accounting  
21 used for such preceding taxable year.”.

22 (e) CONFORMING AMENDMENTS.—

23 (1) Section 475(e)(2) is amended by striking  
24 “this subsection and subsection (f)” and inserting  
25 “this section”.

1           (2) The heading of section 475 is amended by  
2 striking “**DEALERS IN SECURITIES**” and inserting  
3 “**CERTAIN DEALERS AND TRADERS**”.

4           (3) The table of sections for subpart D of part  
5 II of subchapter E of chapter 1 is amended by strik-  
6 ing the item relating to section 475 and inserting  
7 the following:

“Sec. 475. Mark to market accounting method for certain deal-  
ers.”.

8           (f) **EFFECTIVE DATE.**—The amendments made by  
9 this section shall apply to taxable years beginning after  
10 the date of the enactment of this Act.

11          (g) **4-YEAR SPREAD OF ADJUSTMENTS.**—In the case  
12 of a taxpayer that elects under subsection (f)(3) or (g)  
13 of section 475 of the Internal Revenue Code of 1986 (as  
14 added by this section) to change such taxpayer’s method  
15 of accounting for the taxpayer’s first taxable year begin-  
16 ning after the date of the enactment of this Act—

17           (1) any identification required with respect to  
18 such subsection with respect to covered digital assets  
19 held on the first day of such taxable year shall be  
20 treated as timely made if made on or before the  
21 30th day of such taxable year, and

22           (2) the net amount of the adjustments required  
23 to be taken into account by the taxpayer under sec-  
24 tion 481 of such Code by reason of such subsection

1 shall be taken into account ratably over the 4-tax-  
2 able year period beginning with such taxable year.

3 **SEC. 4. DIGITAL ASSET TRADING SAFE HARBOR.**

4 (a) IN GENERAL.—Section 864(b)(2) is amended—

5 (1) in the heading, by striking “OR COMMOD-  
6 ITIES” and inserting “COMMODITIES, OR TRADED  
7 DIGITAL ASSETS”,

8 (2) by redesignating subparagraph (C) as sub-  
9 paragraph (D) and by inserting the following new  
10 subparagraph after subparagraph (B):

11 “(C) TRADED DIGITAL ASSETS.—

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

16 “(ii) TRADING FOR TAXPAYER’S OWN  
17 ACCOUNT.—Trading in traded digital as-  
18 sets for the taxpayer’s own account, wheth-  
19 er by the taxpayer or his employees or  
20 through a resident broker, commission  
21 agent, custodian, or other agent, and  
22 whether or not any such employee or agent  
23 has discretionary authority to make deci-  
24 sions in effecting the transactions. This

1 clause shall not apply in the case of a deal-  
2 er in digital assets.”, and

3 (3) in subparagraph (D), as so redesignated, by  
4 striking “and (B)(i)” and inserting “, (B)(i), and  
5 (C)(i)”.

6 (b) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to taxable years beginning after  
8 December 31, 2025.

9 **SEC. 5. DEFINITIONS.**

10 Section 7701 is amended—

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

13 (2) by inserting after subsection (o) the fol-  
14 lowing new subsection:

15 “(p) DEFINITIONS RELATED TO DIGITAL ASSETS.—

16 For purposes of this title—

17 “(1) DIGITAL ASSET.—The term ‘digital asset’  
18 means, except as otherwise provided by the Sec-  
19 retary, any digital representation of value which is  
20 recorded on a cryptographically secured distributed  
21 ledger or any similar technology as specified by the  
22 Secretary.

23 “(2) TRADED DIGITAL ASSET.—The term ‘trad-  
24 ed digital asset’ means, except as otherwise provided

1 by the Secretary to prevent abuse, any digital asset  
2 if—

3 “(A) such asset is fungible,

4 “(B) quotations of such asset are readily  
5 available on an exchange (or, in the case of an  
6 exchange that does not provide quotations, such  
7 quotations are readily ascertainable), and

8 “(C) such asset is either—

9 “(i) not a tokenized digital asset, or

10 “(ii) a wrapped digital asset with re-  
11 spect to which the reference digital asset is  
12 a traded digital asset.

13 “(3) WIDELY TRADED DIGITAL ASSET.—

14 “(A) IN GENERAL.—The term ‘widely  
15 traded digital asset’ means, with respect to any  
16 taxpayer for any taxable year and except as  
17 otherwise provided by the Secretary to prevent  
18 abuse, any traded digital asset if—

19 “(i) quotations for such asset were  
20 readily available on an exchange for the  
21 entire calendar year which ends in or with  
22 the taxable year preceding such taxable  
23 year,

24 “(ii) the market capitalization of such  
25 asset exceeded \$500,000,000 at substan-

1 tially all times during such calendar year,  
2 and

3 “(iii) not more than 10 percent of the  
4 units of such asset were owned, directly or  
5 indirectly, by the taxpayer or any person  
6 described with respect to the taxpayer  
7 under section 267(b) (applied without re-  
8 gard to section 267(c)(3)) or section  
9 707(b)(1) at any time during such taxable  
10 year or such preceding taxable year.

11 “(B) SPECIAL RULE FOR WRAPPED DIG-  
12 ITAL ASSETS.—In the case of any wrapped dig-  
13 ital asset, except as otherwise provided by the  
14 Secretary to prevent abuse, such asset shall be  
15 treated as a widely traded digital asset if, and  
16 only if, the reference digital asset with respect  
17 to such wrapped digital asset is a widely traded  
18 digital asset.

19 “(C) AUTHORITY TO ENSURE RELIABLE  
20 PRICE DISCOVERY.—For purposes of subpara-  
21 graphs (A) and (B), the term ‘prevent abuse’  
22 includes the exclusion of assets that lack reli-  
23 able price discovery or that the Secretary deter-  
24 mines are at risk of price manipulation.

1           “(D) AUTHORITY TO ADJUST REQUIRE-  
2           MENTS.—The Secretary may, by regulation,  
3           provide requirements that apply in lieu of one  
4           or more of the requirements of clauses (i)  
5           through (iii) of subparagraph (A) if the Sec-  
6           retary determines that due to changes in mar-  
7           ket conditions (including by reason of the en-  
8           actment of Federal digital asset market struc-  
9           ture legislation) that such alternative require-  
10          ments would more effectively or efficiently iden-  
11          tify traded digital assets for which there is con-  
12          sistent and reliable price discovery.

13          “(E) INFLATION ADJUSTMENT.—In the  
14          case of any calendar year after 2027, the  
15          \$500,000,000 amount in subparagraph (A)(ii)  
16          shall be increased by an amount equal to—

17                 “(i) such dollar amount, multiplied by

18                 “(ii) the cost-of-living adjustment de-  
19                 termined under section 1(f)(3) for such  
20                 calendar year, determined by substituting  
21                 ‘calendar year 2026’ for ‘calendar year  
22                 2016’ in subparagraph (A)(ii) thereof.

23          Any increase determined under the preceding  
24          sentence which is not a multiple of \$100,000

1           shall be rounded to the nearest multiple of  
2           \$100,000.

3           “(4) TOKENIZED DIGITAL ASSET.—The term  
4           ‘tokenized digital asset’ means any digital asset  
5           (other than any qualified U.S. dollar stablecoin) if  
6           more than an insignificant portion of the value of  
7           such digital asset is related to anything other than  
8           the operation of the cryptographically secured dis-  
9           tributed ledger on which such digital asset is re-  
10          corded.

11          “(5) WRAPPED DIGITAL ASSET.—The term  
12          ‘wrapped digital asset’ means, except as otherwise  
13          provided by the Secretary to prevent abuse, any dig-  
14          ital asset if such asset—

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

17                 “(B) is recorded on a cryptographically se-  
18                 cured distributed ledger other than the cryp-  
19                 tographically secured distributed ledger on  
20                 which the digital asset referred to in subpara-  
21                 graph (A) is recorded.

22          “(6) REFERENCE DIGITAL ASSET.—

23                 “(A) IN GENERAL.—The term ‘reference  
24                 digital asset’ means, with respect to any

1 wrapped digital asset, the digital asset referred  
2 to in paragraph (5)(A).

3 “(B) SPECIAL RULE FOR REWRAPPINGS.—  
4 If, but for this clause, the reference digital  
5 asset with respect to any wrapped digital asset  
6 would be a wrapped digital asset (hereafter re-  
7 ferred to in this paragraph as the lower-tier  
8 wrapped digital asset)—

9 “(i) subparagraph (A) shall be applied  
10 with respect to such lower-tier wrapped  
11 digital asset, and

12 “(ii) the reference digital asset with  
13 respect to such lower-tier wrapped digital  
14 asset shall be treated as the reference dig-  
15 ital asset of such wrapped digital asset.

16 “(C) MULTIPLE WRAPPINGS.— If, after  
17 the application of subparagraph (B), the ref-  
18 erence digital asset with respect to the lower-  
19 tier wrapped digital asset is a wrapped digital  
20 asset, such subparagraph shall be reapplied by  
21 treating such lower-tier wrapped digital asset as  
22 the wrapped digital asset.

23 “(7) STABLECOIN.—

24 “(A) QUALIFIED U.S. DOLLAR  
25 STABLECOIN.—The term ‘qualified U.S. dollar

1           stablecoin’ means any U.S. dollar stablecoin  
2           which is issued by—

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

7                   “(ii) a foreign payment stablecoin  
8                   issuer (as defined in section 2(12) of the  
9                   GENIUS Act, as so in effect) which is per-  
10                  mitted under such Act (as so in effect) to  
11                  offer, sell, or otherwise make available  
12                  such U.S. dollar stablecoin in the United  
13                  States.

14                  “(B) U.S. DOLLAR STABLECOIN.—The  
15                  term ‘U.S. dollar stablecoin’ means a payment  
16                  stablecoin as defined in section 2(22) of the  
17                  GENIUS Act (as in effect on the date of the  
18                  enactment of this paragraph) applied by sub-  
19                  stituting ‘dollars’ for ‘monetary value’ each  
20                  place it appears in such section.

21                  “(C) PUBLICATION OF LIST.—The Sec-  
22                  retary shall, to the extent feasible, regularly  
23                  publish a list of qualified U.S. dollar  
24                  stablecoins.

1           “(D) LIMITED AUTHORITY TO TREAT  
2           STABLECOINS AS MONEY.—The Secretary may  
3           issue such regulations or other guidance as may  
4           be necessary or appropriate to (except as other-  
5           wise expressly provided in this title)—

6                   “(i) treat qualified U.S. dollar  
7                   stablecoins as dollars, and

8                   “(ii) treat other stablecoins as cur-  
9                   rency if such treatment would increase  
10                  Federal revenues.”.

11 **SEC. 6. RULES OF CONSTRUCTION.**

12           (a) NO INFERENCE WITH RESPECT TO APPLICATION  
13           OF OTHER PROVISIONS OF LAW.—Except as otherwise ex-  
14           pressly provided by this Act (or an amendment made by  
15           this Act) with respect to the application of one or more  
16           provisions of the Internal Revenue Code of 1986, nothing  
17           in this Act (or any amendment made by this Act) shall  
18           be construed to create an inference that a digital asset  
19           does or does not constitute a security, a commodity, debt,  
20           equity, stock, a partnership interest, or an interest in a  
21           trust, for purposes of any provision of law.

22           (b) NO INFERENCE WITH RESPECT TO PRIOR PERI-  
23           ODS.—No provision of this Act (or any amendment made  
24           by this Act) shall be construed to create any inference with  
25           respect to the proper application of any provision of the

- 1 Internal Revenue Code of 1986 with respect to any period
- 2 before the period to which such provision or amendment
- 3 applies.