

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 1.1012: GUIDANCE FOR TAXPAYERS TO ALLOCATE BASIS IN DIGITAL ASSETS TO WALLETS OR ACCOUNTS AS OF JANUARY 1, 2025
(Also: Part I, §§ 1012, 6045, 1.1012-1, 1.6045-1)

Rev. Proc. 2024-28

SECTION 1. PURPOSE

This revenue procedure provides a safe harbor under § 1012(c)(1) of the Internal Revenue Code (Code)¹ on which taxpayers may rely to allocate unused basis of digital assets to digital assets held within each wallet or account of the taxpayer as of January 1, 2025.

SECTION 2. BACKGROUND

On October 9, 2019, the Internal Revenue Service (IRS) posted Virtual Currency FAQs (“FAQs”) on <https://www.irs.gov>² explaining how existing tax principles apply to virtual currency, including cryptocurrency, held by taxpayers as capital assets. FAQs 39-

¹ Unless otherwise specified, all “section” or “§” references are to sections of the Internal Revenue Code or the Income Tax Regulations (26 CFR part 1).

² Since October 9, 2019, the FAQs have been revised and renumbered. References to FAQ numbers in this revenue procedure are to the numbering in the version of the FAQs as of June 6, 2024.

40 explain that a taxpayer may choose the units of virtual currency deemed to be sold, exchanged, or otherwise disposed of if the taxpayer can specifically identify which unit or units are involved in the transaction and is able to substantiate the basis of those units either by documenting the specific unit's unique identifier or by records of the units held within a single account, wallet, or address showing:

- (1) the date and time each unit was acquired;
- (2) the taxpayer's basis and the fair market value of each unit at the time it was acquired;
- (3) the date and time each unit was sold, exchanged, or otherwise disposed of; and
- (4) the fair market value of each unit when it was sold, exchanged, or disposed of, and the amount of money or the value of property received for each unit.

FAQ 41 further explains that if a taxpayer does not identify specific units of virtual currency as the units sold, exchanged, or otherwise disposed of, then the units are deemed to have been sold in chronological order beginning with the earliest unit the taxpayer purchased or acquired; that is, on a first in, first out (FIFO) basis.

Section 1012(c)(1) requires that in the case of the sale, exchange, or other disposition of a specified security on or after the applicable date for that security, the conventions prescribed by the regulations must be applied on an account-by-account basis. Section 1012(c)(3) defines, for purposes of this section, the terms "specified security" and "applicable date" by incorporating the definitions for these terms in section 6045(g)(3). Section 80603 of the Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 429, 1339 (2021) expanded the definition of a specified security to include digital assets with an applicable date of January 1, 2023.

Section 6045(g)(3)(D) generally defines a digital asset, for purposes of information reporting by brokers, as any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary.

On August 29, 2023, the Department of the Treasury and the IRS published in the Federal Register (88 FR 59576) proposed regulations (REG-122793-19) (2023 proposed regulations) under sections 6045, 1001, and 1012, among others. The 2023 proposed regulations, in part, clarified the statutory requirements for determining and identifying the cost basis of digital assets. Consistent with section 1012(c)(2), the proposed regulations would have required basis determination on an account-by-account basis.

For units left in the custody of a broker, proposed § 1.1012-1(j)(3)(ii) provided that the taxpayer can make an adequate identification of the units sold, disposed of, or transferred, if the taxpayer specifies to the broker, no later than the date and time of such disposition, the particular units of the digital asset to be disposed of by reference to any identifier (such as purchase date and time or purchase price paid for the units) that the broker designates as sufficiently specific to allow it to determine the basis and holding period of those units. For units left in the custody of a broker for which the taxpayer does not specifically identify the units to be sold, disposed of, or transferred, proposed § 1.1012-1(j)(3)(i) provided that the determination of which units are disposed of for purposes of determining the basis and holding period of such units is made in order of time from the earliest units of that same digital asset acquired in the taxpayer's account with the broker.

For units not held in the custody of a broker, such as in an unhosted wallet, proposed § 1.1012-1(j)(1) provided that if a taxpayer sells, disposes of, or transfers less than all the units of the same digital asset held within a single wallet or account, the determination of which units are disposed of for purposes of determining basis and holding period is made by a specific identification of the units of the particular digital asset in the wallet or account that the taxpayer intends to sell, dispose of, or transfer. Proposed § 1.1012-1(j)(2) provided that a specific identification of the units of a digital asset sold, disposed of, or transferred is made if, no later than the date and time of sale, disposition, or transfer, the taxpayer identifies on its books and records the particular units to be disposed of by reference to any identifier, such as purchase date and time or the purchase price for the unit, that is sufficient to identify the basis and holding period of the units sold, disposed of, or transferred. A specific identification could be made only if adequate records are maintained for all units of a specific digital asset held in a single wallet or account to establish that a unit is removed from the wallet or account for purposes of subsequent transactions. For units not held in the custody of a broker and for which a taxpayer does not specifically identify the units to be sold, disposed of, or transferred, the determination of which units in the wallet or account are disposed of is made in order of time from the earliest purchase date of the units of that same digital asset.

In response to the 2023 proposed regulations, some comments addressed the need for transitional guidance, stating that many taxpayers have interpreted FAQs 39-41 as permitting, or at least not prohibiting, specific identification of units or application of the FIFO rule based on a so-called universal or multi-wallet approach because the FAQs do

not explicitly limit the specific identification or FIFO rule to units held within a single account, wallet, or address, and noting that the rules of proposed § 1.1012-1(j) would apply differently from the basis identification rules adopted by those taxpayers based on their reading of FAQs 39-41. The comments expressed the view that transitioning from the universal or multi-wallet approach to the single wallet or account-based rules in the 2023 proposed regulations, if adopted in the final regulations, could lead to ongoing discrepancies between a taxpayer's basis records and the basis reported to the taxpayer by brokers on Forms 1099-DA, Digital Asset Proceeds From Broker Transactions, and that these discrepancies could be further exacerbated by the limitations of current basis-tracking software.

On June 28, 2024, final regulations (T.D. 10000) were filed with the Federal Register (XX FR XXXXX) (2024 final regulations). The 2024 final regulations adopted the 2023 proposed regulations with certain modifications in response to comments and public hearing testimony. Section 1.1012-1(h) and (j) of the 2024 final regulations will apply to all acquisitions and dispositions of digital assets on or after January 1, 2025. This revenue procedure is being issued contemporaneously with the 2024 final regulations to assist taxpayers who may have specifically identified units or applied the FIFO rule based on a universal or multi-wallet approach in transitioning to the rules in § 1.1012-1(j) of the 2024 final regulations, which apply the specific identification or FIFO rules to units held within a single wallet or account. Subject to the requirements set forth below, this revenue procedure generally permits taxpayers to rely on any reasonable allocation of units of unused basis to a wallet or account that holds the same number of remaining digital asset units based on the taxpayer's records of such unused basis and remaining

units. The allocation must be a reasonable allocation within the meaning of section 5.02 of this revenue procedure and must be made as of January 1, 2025; however, the taxpayer may identify the method of allocation and may comply with the requirements set forth in section 4.02 of this revenue procedure at a later date to the extent permitted by section 5.02(4) or 5.02(5)(b) of this revenue procedure.

SECTION 3. DEFINITIONS

Except as otherwise provided, the following definitions apply solely for purposes of this revenue procedure:

.01 *Digital asset*. A “digital asset” has the meaning provided in § 1.6045-1(a)(19) of the 2024 final regulations other than digital assets not required to be reported as digital assets pursuant to § 1.6045-1(c)(8)(ii), (iii) and (iv) of the 2024 final regulations.

.02 *Basis*. “Basis” has the meaning provided in section 1012.

.03 *Original basis*. “Original basis” means the taxpayer’s cost of the digital asset unit as provided in section 1012 as adjusted by section 1016; if the digital asset unit is substituted basis property within the meaning of section 7701(a)(42), the taxpayer’s substituted basis, as defined in section 1016(b); if the digital asset is acquired by gift, the basis determined under section 1015; or, if the digital asset is acquired from a decedent, the fair market value of the digital asset at the date of death, unless the alternative valuation date is elected within the meaning of section 1014. When a taxpayer receives digital asset units that constitute gross income under section 61, the taxpayer’s basis in the digital asset units received is generally determined by reference to the amount includable in gross income. See generally § 1.61-2(d)(2)(i). The acquisition date of a digital asset unit must remain with the original basis of that unit.

.04 *Acquisition date*. The “acquisition date” of a digital asset unit is the date on which the taxpayer acquires, including by purchase, gift, reward, or airdrop, or from a decedent, the unit of the digital asset. If the acquisition is the result of a gift or the death of a decedent, the “acquisition date” is determined under section 1223. The acquisition date of a unit of unused basis is the acquisition date of the digital asset unit to which the unit of unused basis was originally attached.

.05 *Pre-2025 transaction*. A “pre-2025 transaction” means the sale, disposition, or transfer by the taxpayer of a digital asset unit in a transaction completed before January 1, 2025.

.06 *Unhosted wallet*. An “unhosted wallet” has the same meaning as in § 1.6045-1(a)(25)(iii) of the 2024 final regulations.

.07 *Remaining digital asset units*. A “remaining digital asset unit” refers to a digital asset unit that a taxpayer:

- (1) acquires or receives in a transfer before January 1, 2025, and
- (2) holds in the taxpayer’s wallet or account as of January 1, 2025.

.08 *Previously identified and used basis*. “Previously identified and used basis” means the original basis (along with the associated acquisition date) of a digital asset unit that was identified and attached to a digital asset unit that was sold, disposed of, or transferred by the taxpayer in a pre-2025 transaction. Thus, for example, previously identified and used basis is reflected in both (1) a digital asset unit purchased for \$10 on January 1, 2024, and then sold by the taxpayer before January 1, 2025, treating \$10 as the unit’s basis and January 1, 2024, as its acquisition date, and (2) a digital asset unit purchased for \$15 on January 30, 2024, and then sold by the taxpayer before January

1, 2025, treating \$10 (from another unit) as the unit's basis and January 1, 2024 (from the other unit), as its acquisition date. In both of these cases, the \$10 basis is previously identified and used basis.

.09 *Unit of unused basis.* "Unit of unused basis" refers to the original, per unit basis of a digital asset unit other than any unit of previously identified and used basis. Accordingly, all units of digital asset basis held by the taxpayer as of January 1, 2025, are treated as units of unused basis for purposes of this revenue procedure, even if the taxpayer is able to factually attribute some units of basis to specific units of digital assets.

.10 *As of January 1, 2025.* "As of January 1, 2025" means immediately after the close of the taxpayer's day on December 31, 2024.

.11 *Transfer.* "Transfer" means the conveyance, other than a sale or disposition, of digital asset units by one taxpayer to another taxpayer, including a completed gift, donation, contribution, or distribution of digital asset units.

.12 *Taxpayer.* "Taxpayer" means any person described in section 7701(a)(1) but does not include an entity disregarded as an entity separate from its owner under § 301.7701-3. Any remaining digital assets or units of unused basis held by a disregarded entity are treated as held by its owner.

SECTION 4. SCOPE

.01 *In General.*

- (1) The safe harbor described in section 5.01 of this revenue procedure is available only to a taxpayer who holds remaining digital asset units and has units of unused basis as of January 1, 2025.

- (2) The taxpayer may not apply the safe harbor described in this revenue procedure to any digital assets acquired by or transferred to the taxpayer on or after January 1, 2025. Section 1.1012-1(j) of the 2024 final regulations generally applies to digital assets acquired by or transferred to a taxpayer on or after January 1, 2025.
- (3) The safe harbor described in this revenue procedure does not apply to any allocation of units of unused basis the amount or the availability of which is under consideration before any court of the United States; before the IRS Independent Office of Appeals; or subject to an examination by the IRS, about which the IRS first contacts the taxpayer prior to January 1, 2025; unless, in each case, a final determination has been made with respect to the amount or the availability of such basis before the date the specific unit allocation or global allocation must be completed pursuant to section 5.02(4) or 5.02(5)(b) of this revenue procedure, respectively.
- (4) The taxpayer may apply the safe harbor described in this revenue procedure to one or more types of digital assets held by the taxpayer prior to January 1, 2025, separately with respect to each such type of digital asset. For example, Bitcoin is one type of digital asset, and Ether is another type of digital asset.
- (5) The safe harbor described in section 5.01 of this revenue procedure is available only to a taxpayer who satisfies the requirements of section 4.02 of this revenue procedure. The failure to meet all the requirements with respect to one type of digital asset, however, does not impact the taxpayer's ability to

apply the safe harbor with respect to any other type of digital asset for which the taxpayer is able to satisfy the requirements.

.02 Requirements.

- (1) Each remaining digital asset unit must be a capital asset in the hands of the taxpayer. See section 1221.
- (2) Each unit of unused basis must have been originally attached to a digital asset unit that was a capital asset in the hands of a taxpayer.
- (3) The digital asset unit from which the unused basis is derived and the remaining digital asset unit must be the same type of digital asset.
- (4) The taxpayer must be able to identify and maintain records sufficient to show the total number of remaining digital asset units in each of the wallets or accounts held by the taxpayer.
- (5) The taxpayer must be able to identify and maintain records sufficient to show the number of units of unused basis, the original cost basis of each such unit of unused basis, and the acquisition date of the digital asset unit to which the unused basis was originally attached.
- (6) A taxpayer must treat any allocation under this revenue procedure as irrevocable for all purposes of section 1012.

SECTION 5. SNAPSHOT AS OF JANUARY 1, 2025, AND SAFE HARBOR SCOPE

.01 Safe harbor. The taxpayer may make any reasonable allocation as of January 1, 2025, of units of unused basis to a wallet or account that holds the same number of remaining digital asset units with respect to any type of digital asset for which the

taxpayer is relying on this revenue procedure, provided the taxpayer satisfies the requirements of section 4.02 of this revenue procedure.

.02 Reasonable Allocation. To make a reasonable allocation within the meaning of section 5.01 of this revenue procedure, the taxpayer must comply with the requirements set forth in sections 5.02(1) through 5.02(7) of this revenue procedure.

- (1) The taxpayer must identify the remaining digital asset units and maintain records sufficient to show the units of unused basis within the meaning of sections 4.02(4) and 4.02(5) of this revenue procedure, respectively, by the applicable date set forth in section 5.02(4) or 5.02(5) of this revenue procedure.
- (2) The taxpayer must complete the allocations of all units of unused basis to the same number of remaining digital asset units within all wallets or accounts held by the taxpayer by the applicable date set forth in section 5.02(4) or 5.02(5) of this revenue procedure. A taxpayer may make such allocations on a specific unit basis or on a global basis.
 - (a) *Specific unit allocation.* A taxpayer may make an allocation of specifically identified units of unused basis (specific unit allocation), by reference to characteristics that distinguish those units from other units of unused basis, to either a pool of remaining digital assets units within each wallet or account or, if the taxpayer is able to identify each remaining digital asset within each wallet or account, to the specific units of remaining digital assets within each wallet or account. A specific unit allocation is complete on the date that the taxpayer's books and records first record the

specific characteristics of the units of unused basis allocated to each pool of digital assets in the taxpayer's wallets or accounts on a wallet-by-wallet or account-by-account basis, or, if the taxpayer is able to identify each remaining digital asset within each wallet or account, to the specific units of remaining digital assets within each wallet or account.

(b) *Global allocation.* A taxpayer may, alternatively, make an allocation based on a rule prescribing the manner by which units of unused basis will be ordered and then allocated to a pool of remaining digital assets units within each wallet or account (global allocation). A global allocation must identify and order all units of unused basis by reference to characteristics that distinguish those units from all other units of unused basis and must allocate those ordered identified units to a pool of remaining digital asset units in each of the taxpayer's wallets or accounts on a prescribed basis set forth in the rule. For example, a global allocation might identify those units of unused basis that have the earliest or latest acquisition dates and, for each of those dates, the highest or lowest amounts of unused basis, and allocate such units successively to wallet A, wallet B, and wallet C. An allocation that permits the taxpayer to exercise discretion on or after January 1, 2025, with respect to how units of unused basis are allocated to remaining digital asset units or to the taxpayer's wallets or accounts is not a global allocation within the meaning of this revenue procedure. A global allocation is complete on the date that the taxpayer's books and records first record the specific characteristics of the units of unused basis

allocated to each pool of digital assets in the taxpayer's wallets or accounts on a wallet-by-wallet or account-by-account basis.

- (3) Until such time as the taxpayer has completed the allocations as set forth in section 5.02(4) or 5.02(5)(b) of this revenue procedure, the taxpayer must separately account for any acquisitions or transfers to the taxpayer of digital asset units on or after January 1, 2025, held within the same wallet or account as remaining digital asset units and units of unused basis.
- (4) A taxpayer making a specific unit allocation must satisfy the requirements set forth in section 5.02(1) of this revenue procedure and complete the specific unit allocations described in section 5.02(2)(a) of this revenue procedure before the earlier of:
 - (a) The date and time of the first sale, disposition, or transfer by the taxpayer of the same type of digital asset completed on or after January 1, 2025, or
 - (b) Either:
 - (i) The due date (including by extension) of the taxpayer's Federal income tax return or Form 1065, *U.S. Return of Partnership Income*, for the taxable year that includes January 1, 2025 (the 2025 return); or
 - (ii) If the taxpayer is not otherwise required to file a 2025 return, the last date for filing the 2025 return (without extensions) of the type of return that would be applicable to the taxpayer if the taxpayer were required to file a 2025 return.
- (5) A taxpayer making a global allocation described in section 5.02(2)(b) of this revenue procedure:

- (a) Must describe the global allocation method in the taxpayer's books and records before January 1, 2025;
- (b) Must satisfy the requirements set forth in sections 5.02(1) of this revenue procedure and complete the allocations of all units of unused basis to the pools of remaining digital asset units within each of the taxpayer's wallets or accounts before the later of the dates set forth in section 5.02(4)(a) and (b) of this revenue procedure, as applicable; and
- (c) Must comply with the following rules with respect to sales, dispositions or transfers of any remaining digital assets units on or after January 1, 2025. If such sale, disposition or transfer occurs after the taxpayer has completed the global allocation, the taxpayer is permitted to identify the units sold, disposed of, or transferred under § 1.1012-1(j)(2) of the 2024 final regulations (specific identification of digital asset units held in an unhosted wallet) or § 1.1012-1(j)(3)(ii) of the 2024 final regulations (adequate identification of units held in the custody of a broker). If such sale, disposition or transfer occurs before the taxpayer has completed the global allocation, the taxpayer may make a specific identification (or adequate identification) of any remaining digital asset units that are sold, disposed of, or transferred only by using a standing order or instruction communicated to the taxpayer's broker or a standing instruction recorded in the taxpayer's books and records. This standing order must be applied to select any remaining digital asset units sold, disposed of, or transferred after the global allocation is complete. Any other type of specific

identification by the taxpayer will not be treated as sufficient to identify any remaining digital asset units sold, disposed of, or transferred under § 1.1012-1(j)(2) of the 2024 final regulations (specific identification of digital asset units held in an unhosted wallet) or § 1.1012-1(j)(3)(ii) of the 2024 final regulations (adequate identification of units held in the custody of a broker) before the date that the taxpayer has completed the allocation of units of unused basis to the pools of remaining digital asset units within each of the taxpayer's wallets or accounts.

- (6) The determination of whether a taxpayer's allocations to wallets or accounts is reasonable with respect to one type of digital asset held by the taxpayer prior to January 1, 2025, does not impact whether the taxpayer's allocations to other wallets or accounts is reasonable with respect to another type of digital asset held by the taxpayer prior to January 1, 2025.
- (7) Any allocation of previously identified and used basis to digital assets held by the taxpayer as of January 1, 2025, does not constitute a reasonable allocation.

.03 *Failure to Comply.* If a taxpayer makes a reasonable allocation described in section 5.02 of this revenue procedure but fails to comply with the requirements of section 4.02 of this revenue procedure, the taxpayer cannot rely on the safe harbor set forth in this revenue procedure, and such failure may result in the assessment of additional tax, penalties, and interest.

.04 *Not applicable to determining amount of basis.* This safe harbor does not apply to the taxpayer's calculation of the amount of unused basis, which must be substantiated separately by the taxpayer pursuant to section 6001.

SECTION 6. EXAMPLES

The following examples illustrate the application of this revenue procedure to a single type of digital asset (referred to as digital asset DE). For purposes of these examples, no transaction fees are paid or incurred to effect the purchase or sale of any of the digital asset units, and neither the number of remaining digital asset units nor the units of unused basis is under consideration before any court of the United States or the IRS Independent Office of Appeals, or subject to an examination by the IRS.

.01 *Example 1.*

(1) *Facts.* B, an individual and calendar year taxpayer, holds in B's unhosted wallet ("XYZ Wallet") 10 units of digital asset DE that B acquired for \$1 per unit on July 1, 2019. B holds in a second unhosted wallet ("GHI Wallet") 20 units of digital asset DE acquired on September 1, 2020, for \$5 per unit. On December 1, 2024, B sells all 30 units of digital asset DE in a transaction completed before January 1, 2025.

(2) *Analysis.* Neither the 10 units of digital asset DE acquired on July 1, 2019, nor the 20 units of digital asset DE acquired on September 1, 2020, are remaining digital asset units within the meaning of section 3.07 of this revenue procedure, because B does not hold any digital asset units of DE as of January 1, 2025. Accordingly, B may not make allocations described in

section 5.02 of this revenue procedure to determine the basis of the units from either lot.

.02 Example 2.

(1) *Facts.* The facts are the same as in *Example 1* except that B sells only six units from B's XYZ Wallet on December 1, 2024, and B maintains records sufficient to show that B specifically identified and attached the original basis of six units from the 20 units acquired on September 1, 2020, in B's GHI Wallet as the six units sold. As of January 1, 2025, B has 24 remaining digital asset units and 24 units of unused basis.

(2) *Analysis.*

(a) B's sale of six units from B's XYZ wallet on December 1, 2024, is a pre-2025 transaction with previously identified and used basis of \$30 (6 units each with a per unit basis of \$5). As of January 1, 2025, B has 24 units of unused basis (consisting of 10 units of unused basis in the amount of \$1 per unit with an acquisition date of July 1, 2019, originally from B's XYZ Wallet, and 14 units of unused basis in the amount of \$5 per unit with an acquisition date of September 1, 2020, originally from B's GHI Wallet). B also has 24 remaining digital asset units (consisting of four DE remaining digital asset units in B's XYZ Wallet and 20 remaining digital asset units in B's GHI Wallet).

(b) B may use the safe harbor described in section 5.02 of this revenue procedure to make a reasonable allocation of B's 24 units of unused basis to the pool of remaining digital asset units in B's XYZ and GHI Wallets as

of January 1, 2025, provided that B maintains records sufficient to show the units of unused basis and completes the allocations by the dates set forth in sections 5.02(4) (specific unit allocation) or 5.02(5)(b) (global allocation) of this revenue procedure, as applicable.

.03 *Example 3.*

(1) *Facts.* The facts are the same as in *Example 2*. In addition, on March 1, 2025, B sells two units from B's XYZ Wallet. Before B's sale of those two units from B's XYZ Wallet on March 1, 2025, B identifies and maintains records sufficient to show that B has four remaining digital asset units in B's XYZ Wallet and 20 remaining digital asset units in B's GHI Wallet. B's records also show that B has 10 units of unused basis in the amount of \$1 per unit with an acquisition date of July 1, 2019, and 14 units of unused basis in the amount of \$5 per unit with an acquisition date of September 1, 2020. Also, before B's sale of the two units from B's XYZ wallet, B makes a specific unit allocation, of two units of unused basis in the amount of \$1 per unit and an acquisition date of July 1, 2019, and two units of unused basis in the amount of \$5 per unit and an acquisition date of September 1, 2020, to the pool of four remaining digital asset units held in B's XYZ Wallet. B allocates the remainder of the eight units of unused basis (in the amount of \$1 per unit and an acquisition date of July 1, 2019), and the 12 units of unused basis (in the amount of \$5 per unit and an acquisition date of September 1, 2020) to the pool of 20 remaining digital asset units held in B's GHI Wallet. Prior to B's sale of the two units from B's XYZ Wallet, B specifically identifies in B's books and records that one of the

units sold was from one unit of unused basis in the amount of \$1 per unit with an acquisition date of July 1, 2019, and the other unit sold was from one unit of unused basis in the amount of \$5 per unit with an acquisition date of September 1, 2020.

(2) *Analysis.*

(a) B made a specific unit allocation as described in section 5.02(2)(a) of this revenue procedure.

(b) B's specific unit allocation is reasonable within the meaning of section 5.02 of this revenue procedure for the following reasons:

(i) B identified and maintained records sufficient to show the number of remaining digital asset units in B's XYZ and GHI Wallets as required by section 5.02(1) of this revenue procedure.

(ii) B identified and maintained records sufficient to show the number of units of unused basis, the amount of each such unit, and the acquisition date of the digital asset unit to which the unit of unused basis was originally attached as required by section 5.02(1) of this revenue procedure.

(iii) B's allocation of units of unused basis to the XYZ and GHI Wallets was made by reference to the original, per unit basis and acquisition date of the digital asset unit to which the unit of unused basis was originally attached. This reference is to characteristics that distinguish those units of unused basis from B's other units of unused basis. B's specific unit allocations were completed before March 1, 2025, which is the

date and time of the taxpayer's first sale of the digital asset units completed on or after January 1, 2025, as required by section 5.02(4)(a) of this revenue procedure.

(iv) B did not allocate any previously identified and used basis to the remaining digital asset units.

(c) B's identification of the two units sold on March 1, 2025, is a specific identification under § 1.1012-1(j)(2) of the 2024 final regulations.

.04 *Example 4.*

(1) *Facts.* The facts are the same as in *Example 3*, except B does not make a specific unit allocation. Instead, before January 1, 2025, B describes an ordering rule in B's books and records, which identifies and orders the units of unused basis in a manner that is based first on the highest basis units and second (if there are multiple units with the same basis) on the units with the earliest acquisition dates. B's ordering rule also directs that these ordered units of unused basis will be allocated first to the remaining digital asset units in B's XYZ Wallet and then to the remaining digital asset units in B's GHI Wallet. Additionally, B identifies and maintains records sufficient to show B's 24 remaining digital asset units and B's 24 units of unused basis as of January 1, 2025, respectively, before April 15, 2026, which is the due date for filing B's Federal income tax return for B's 2025 taxable year. B also completes the allocations of units of unused basis to remaining digital assets after March 1, 2025, but before April 15, 2026, such that B's books and records record the specific characteristics of the units of unused basis

allocated to each pool of digital assets in B's wallets or accounts on a wallet-by-wallet or account-by-account basis. Finally, instead of selling the two units from B's XYZ Wallet, B sells the two units from B's GHI Wallet. Prior to B's sale of the two units from B's GHI Wallet, B specifically identifies in B's books and records that one of the units sold was from one unit of unused basis in the amount of \$1 per unit with an acquisition date of July 1, 2019, and the other unit sold was from one unit of unused basis in the amount of \$5 per unit with an acquisition date of September 1, 2020.

(2) *Analysis.*

(a) B's ordering rule is a global allocation as described in section 5.02(2)(b) of this revenue procedure. This global allocation when completed results in: four of the 14 units of unused basis with the highest basis (the units with a basis in the amount of \$5 per unit) have been allocated to the pool of remaining digital asset units held in B's XYZ Wallet and 10 units of unused basis (the units with a basis in the amount of \$5 per unit) and 10 units of unused basis (the units with basis in the amount of \$1 per unit) have been allocated to the pool of remaining digital asset units held in B's GHI Wallet.

(b) B's global allocation as described in section 5.02(2)(b) of this revenue procedure is reasonable within the meaning of section 5.02 of this revenue procedure for the following reasons:

(i) B identified and maintained records sufficient to show the number of remaining digital asset units in B's XYZ and GHI Wallets as required by section 5.02(1) of this revenue procedure.

- (ii) B identified and maintained records sufficient to show the number of units of unused basis, the amount of each such unit, and the acquisition date of the digital asset unit to which the unused basis was originally attached as required by section 5.02(1) of this revenue procedure.
 - (iii) B's global allocation applies a rule that identifies and orders the units of unused basis by reference first to the highest basis units and second to the units with the earliest acquisition dates. These characteristics are sufficient to distinguish each of the units from the other units of unused basis. B's global allocation then allocates the ordered units of unused basis to a pool of remaining digital asset units in each of B's XYZ and GHI Wallets on a prescribed basis. B's global allocation does not permit B to exercise discretion on or after January 1, 2025, with respect to how the units of unused basis are allocated to B's remaining digital assets or to its XYZ and GHI Wallets.
 - (iv) B described the global allocation method in B's books and records before January 1, 2025.
 - (v) B did not allocate any previously identified and used basis to the remaining digital asset units.
- (c) Under section 5.02(5)(c) of this revenue procedure, a global allocation must be completed before a taxpayer is permitted to make a specific identification of units sold on or after January 1, 2025, other than by reference to a standing order or instruction. B did not complete its global

allocation prior to March 1, 2025. Additionally, B's identification of the units sold on March 1, 2025, was based on the amount (and acquisition date) of specific units of unused basis before the global allocation was complete, and the identification was not a standing instruction. Therefore, B's specific identification of the units sold on March 1, 2025, will not be treated as sufficient to identify the units sold within the meaning of § 1.1012-1(j)(2) of the 2024 final regulations. Instead, under § 1.1012-1(j)(1) of the 2024 final regulations, B must treat the units with the earliest acquisition dates within B's GHI Wallet as sold. Accordingly, the two units that B must treat as sold are the two units with unused basis in the amount of \$1 per unit with acquisition dates of July 1, 2019.

.05 Example 5.

(1) *Facts.* The facts are the same as in *Example 4*, except instead of selling two digital asset units on March 1, 2025, B transfers those two units to a family member, C, as a completed gift.

(2) *Analysis.* The analysis set forth in *Example 4* remains the same. Accordingly, the 2 units transferred by B to C on March 1, 2025, are the two units with unused basis in the amount of \$1 per unit with acquisition dates of July 1, 2019.

SECTION 7. EFFECTIVE DATE

This revenue procedure is effective June 28, 2024, the date this revenue procedure was released to the public.

SECTION 8. DRAFTING INFORMATION

The principal author of this revenue procedure is the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact the Office of the Associate Chief Counsel (Income Tax and Accounting) at (202) 317-5436 (not a toll free number).