

Errors among Cryptocurrency Tax Experts

Tyler S. Menzer
Texas Christian University
tyler.menzer@tcu.edu

April 2026

I thank an anonymous accounting firm for providing the data used in the analysis and access to the cryptocurrency service provider subscriptions used. I thank Matthew Metras, Janna Scott, and Omri Marian for comments. A previous shorted version of this article was published in Tax Notes. There are no financial interests to disclose.

Tyler S. Menzer, Texas Christian University, Neeley School of Business, Fort Worth, TX, US

Keywords: Cryptocurrency, Taxation, Internal Revenue Service

JEL Classification: H20, K34, M49

Errors among Cryptocurrency Tax Experts

Abstract: The taxation of cryptocurrency has been a topic of interest for policymakers, regulators, and taxpayers. Compliance with tax law around cryptocurrency has led to prominent questions for all taxpayers on their individual tax returns, multiple rounds of guidance by the Internal Revenue Service, and a billion-dollar industry of cryptocurrency experts who offer taxpayers solutions to the complex reporting requirements. I examine several cryptocurrency tax services and find that there is significant variation in how each calculates taxable income from the same series of transactions. The effects of these discrepancies should be of particular concern as cryptocurrency exchanges, tax preparers, and the IRS prepare for new third-party reporting of cryptocurrency transactions in 2026.

1. Introduction

With every transaction recorded on the blockchain, available for anyone to examine, the calculation of cryptocurrency taxes should be a problem that is easy to solve. Many companies have been formed to solve this problem, with millions of users and valuations reaching over \$1 billion (Thompson 2022; Cointracker; Koinly; Azevedo 2021). These companies advertise they will “ensure your taxes are done right” (Cointracker), help clients “stay IRS compliant” (Zenledger), provide “Accurate Crypto taxes, no guesswork” (Crypto Tax Calculator), and “simplify crypto tracking & tax reporting” (Koinly).¹ These companies present themselves as experts, and they were formed for the sole purpose of calculating the taxable income from cryptocurrency sales. However, comparisons both between service providers and within service providers highlight significant differences in calculations, providing evidence that calculating cryptocurrency taxes is not a simple process and errors are common. This paper should be of interest to academics, regulators, and practitioners as they think about cryptocurrency and tax reporting.

The taxation of cryptocurrency continues to be a topic of discussion from regulators, academics, and practitioners. The Internal Revenue Service (IRS) has addressed cryptocurrency since 2014. Congress has sought comments on cryptocurrency, passed legislation, and continues to propose new legislation regarding cryptocurrency (Ainsworth, Askew, and Kwon 2022; The Tax Law Center 2025; Crapo 2025). Academic research has examined cryptocurrency as it relates to taxes (De Simone, Jin, Rabetti 2024; Meling, Mogstad, and Vestre 2024; Cong, Landsman, Maydew, Rabetti 2023; Hoopes, Menzer, Wilde 2025). Even as more individuals use cryptocurrency, it has become more complex as an investment, with thousands of new

¹ Quotes taken from company websites as listed on March 3, 2025.

cryptocurrencies, Initial Coin Offerings (ICO), Non-Fungible Tokens (NFTs), cryptocurrency staking, and Decentralized Finance (DeFi) transactions. As the complexity of transactions has risen, many taxpayers have sought the help of automated cryptocurrency tax calculators. I label these services as cryptocurrency service providers (CSPs).

Examining cryptocurrency service providers is important for several reasons. First, cryptocurrency service providers have raised hundreds of millions of dollars in funding and serve millions of customers worldwide (Thompson 2022; Cointracker; Koinly; Azevedo 2021). They have also achieved wider reach by partnering with tax preparation services (Brunette 2024; Dossett 2022; Blackstone 2023). The Internal Revenue Service has entered into contracts with providers such as ZenLedger and TaxBit to aid in audits of taxpayers' cryptocurrency transactions (PR Newswire 2022; TaxBit 2021). Second, new regulations regarding third-party reporting of cryptocurrency transactions will likely increase the reliance on cryptocurrency software providers even as it shifts demand from consumers to exchanges. For example, TaxBit has announced that it will provide comprehensive support for form 1099-DA and aims to help cryptocurrency exchanges meet their tax reporting requirements (PR Newswire 2024). Prior research has shown that tax compliance increases significantly when taxpayers are subject to third-party reporting (Kleven et al. 2011). Given this, errors in the third-party reporting are likely to create significant misreporting.

In this paper, I examine anecdotal data from social media and several leading cryptocurrency tax software providers to assess the accuracy of cryptocurrency tax reporting. I then highlight potential issues of cryptocurrency software providers using simple examples. By using the same set of transactions entered into each software, I am able to compare outputs from various cryptocurrency service providers. I find that there is significant variation between

providers. These differences offer initial evidence that not all providers treat the same transactions similarly. I then describe several reasons that software providers may produce different results using simplified scenarios, data from the tax reporting of actual transactions, and anecdotal evidence from practitioners. I hope this paper encourages software providers to examine differences in reporting, inform taxpayers of the risks of relying on third-party providers, and inform enforcement agencies as they begin to process potentially eight billion new tax forms (Becker 2023; Curry 2023).

2. Literature Review

2.1 Cryptocurrency and Tax Compliance

The number of cryptocurrency investors has grown significantly. Using credit card transaction data to identify consumer deposits into centralized cryptocurrency exchanges, Aiello et al. (2022) show that cryptocurrency investment has been growing significantly over time. Hoopes et al. (2025) show that the number of taxpayers reporting cryptocurrency to the IRS has similarly grown over time. Although the market cap of all cryptocurrencies can fluctuate wildly, it was \$3.8 trillion as of September 2025 with over \$165 billion of daily volume.²

In a review of the cryptocurrency tax literature, Bear, De Mooji, Hebous, and Keen (2023) note that tax administration related to cryptocurrency offers challenges for tax authorities due to the anonymity inherent in cryptocurrency transactions. Meling, Mogstad, and Vestre (2024) examine cryptocurrency tax compliance in Norway using administrative tax data and transaction level exchange data. They estimate that approximately 88% of cryptocurrency investors do not report their cryptocurrency gains to the Norwegian Revenue Authority. Hoopes et al. (2025) report that approximately 6.5% of U.S. taxpayers report cryptocurrency over their

² From <https://coinmarketcap.com/charts/> as of September 30, 2025.

sample period, which is well below survey evidence which suggests between 12 and 21 percent of U.S. adults may own or have owned cryptocurrency.

Research has also provided evidence that cryptocurrency may be used for legal tax avoidance. Cong et al. (2023) use data from a cryptocurrency service provider to show how cryptocurrency traders are able to take advantage of wash sales to legally defer taxes. They find that taxpayers increase the use of wash sale strategies as tax scrutiny increases. De Simone et al. (2025) examines how certain decentralized finance strategies may defer taxes.

2.2 Cryptocurrency Legislation and Regulation in the United States

Although cryptocurrency has been in existence since 2008 (Nakamoto 2008), the first regulatory guidance on taxes was issued in 2014 with IRS Notice 2014 and a related Frequently Asked Questions (FAQ) document. These were the first documents that formalized the IRS's position that cryptocurrency was to be taxed as property transactions rather than as a currency. Since that time, the IRS has continued to issue additional guidance, often in the form of Chief Counsel Advice and IRS Notices. For example, the IRS addressed whether cryptocurrency received due to a hard fork was taxable upon receipt (CCA 202114020, Notice 2019-24), whether staking income was taxable (Notice 2023-14), and the treatment of Non-Fungible Tokens (NFTs) (Notice 2023-27). The IRS also changed tax forms in 2019 to address cryptocurrency with the addition of a virtual currency checkbox. This question required taxpayers to answer whether they had certain cryptocurrency transactions during the year. It was initially placed on Schedule 1 of Form 1040 but was later moved to the top of Form 1040, highlighting the IRS's concern with cryptocurrency tax reporting.

In 2022, the Responsible Financial Innovation Act was introduced to the Senate Finance Committee by Senator Lummis and Senator Gillibrand (Castelluccio et al. 2022). Although this

bill covered much more than just the taxation of cryptocurrency it sought to address several issues that were important to the cryptocurrency community. These included a de minimis exclusion on cryptocurrency gains related to personal transactions, third-party reporting of cryptocurrency transactions, and deferral of mining and staking income until sold. Although the bill did not pass it served as the basis for further legislation. The Infrastructure Investment and Jobs Act (IIJA) which was signed into law in 2021 included provisions relating to third-party reporting of cryptocurrency transactions (Ainsworth et al., 2022). In addition, cryptocurrency tax bills continue to be discussed in congress as recently as October 2025 (Crapo 2025).

Under the Infrastructure Investment and Jobs Act, third-party reporting is set to go into effect for certain transactions starting with the 2025 tax year after an initial delay in reporting requirements (Ainsworth et al. 2022; Talwar 2025). The cryptocurrency reporting regulations are important as the IRS has said it expects as many as 8 billion Form 1099-DA to be filed.³ The regulations were not without controversy. The third-party reporting requirement for decentralized brokers was nullified by a Congressional Review Act disapproval in 2025 (House Ways and Means Committee 2025). The rules continue to be in effect for centralized exchanges and require reporting of gross proceeds in 2025 with reporting of both proceeds and basis for 2026 and after.

2.3 Cryptocurrency Service Providers

The rise in cryptocurrency and the complex nature of tax law has led to many firms offering cryptocurrency tax calculation services. Third-party reporting of cryptocurrency basis begins in 2026, which means that individual taxpayers have to keep track of and calculate their gains and losses on their own. Aided by the fact that any transactions recorded on the blockchain

³ Under the third-party reporting, one 1099-DA will be filed for every cryptocurrency transaction on certain centralized exchanges.

are public, cryptocurrency service providers use blockchain data and data from centralized cryptocurrency exchanges to create reports for tax reporting that mimic traditional 1099-B forms filed by stock brokerage firms. Table 1 provides an overview of some cryptocurrency service providers, the largest of which serves over 3 million customers worldwide, although this is likely only a fraction of individuals who use and own cryptocurrency. These companies have also attracted significant investments at large valuations. TaxBit, which does not release customer statistics has raised over \$230 million in funding and was last valued at over \$1.3 billion (Azevedo 2021). With millions of dollars in funding and serving millions of customers, we should expect cryptocurrency service providers to be experts in tax accounting for cryptocurrency.

The tax compliance landscape is shifting for cryptocurrency service providers. Starting in 2025, centralized exchanges are required to file Form 1099-DA with the IRS and provide them to clients. For 2025, these forms will report cryptocurrency gross proceeds, while for tax years after 2025, they will be required to report both proceeds and basis. At first glance, this may appear to limit the importance of cryptocurrency service providers, as third-party reporting should reduce the demand for tax services related to cryptocurrency. However, the nature of cryptocurrency may limit the effect of third-party reporting for two reasons. First, although centralized exchanges will be required to report transactions to the IRS, decentralized platforms are not required to report. As of April 2026, the top four decentralized exchanges each had over \$1 billion of daily volume and a combined daily volume of over \$20 billion.⁴ Second, cryptocurrency can be easily transferred between centralized exchanges, self-custody wallets,

⁴ Decentralized exchange volume retrieved from coinmarketcap.com as of April 20, 2026. The top four decentralized exchanges (24 hour volume) were Meteora (\$7.5B), Pancakeswap (\$7.4B), PumpSwap (\$5.3B), and Uniswap (\$1.2B).

and decentralized exchanges. This means that a single centralized exchange may not have all the information for basis if customers move assets onto or from the platform. Despite 1099-DA reporting in 2025, Coinbase still advertises Cointracker, Summ, and Koinly to its customers for aid in tax reporting. Companies like TaxBit have also moved from offering direct to consumer tax reporting help to purely enterprise reporting, highlighting that even under a third-party reporting regime cryptocurrency software providers may still play a role in calculating the amounts reported to the IRS on Form 1099-DA (TaxBit 2023).

3. Evidence of Variation in Calculations

3.1 Evidence from tax professionals

Anecdotal evidence suggests that cryptocurrency tax software is imperfect. Figure 1, Panel A, provides examples of several tax professionals highlighting extreme outcomes of using cryptocurrency software, showing between \$18 billion and \$137 trillion of income. This would mean a single trader was estimated to have gains from cryptocurrency in excess of the GDP of the entire United States (Federal Reserve Bank of St. Louis 2025). Figure 1, Panel B displays screenshots posted by a tax professional displaying the differences between two different cryptocurrency tax software providers for the same client and the same series of transactions. In one image, the calculated income is a taxable gain of \$333,528. In the second image, the calculated income is a tax loss of \$205,252. The difference between these two estimates is over \$535,000, highlighting an extreme variance between two tax software companies. In addition to the different amounts of gains, the number of trades and number of transactions calculated does not tie between the two providers.

3.2 Comparison between software

Table 2 presents the results of the same set of transactions entered into eight large cryptocurrency software providers. Transactions were executed by the author between October and December 2025 and consisted of purchases of various cryptocurrencies with fiat on four major centralized exchanges (Coinbase, Gemini, Kraken, and Crypto.com).⁵ Transactions undertaken included purchases, sales, staking, wrapping, transfers to and from decentralized wallets (Metamask and Uniswap) and sales and purchases on a decentralized exchange (Uniswap). Cryptocurrencies were chosen based on market cap and exchange availability, and the set of transactions was designed to capture a variety of common transactions. No transactions involved decentralized finance, NFTs, or prediction markets where there may be more uncertainty around transaction reporting.

Transaction history was then imported into paid versions of eight cryptocurrency service providers in April 2026. Data from decentralized wallets were imported into each service by linking the wallet address. For centralized exchanges, data was linked through an API, exchange login, or a CSV file depending on the limitations of the cryptocurrency service provider. Tax reports and taxable income was then calculated by each service provider using a First-in-First-out (FIFO) method, and (where available) a Highest-in-First-out (HIFO) method.⁶ Although HIFO is not an official method, it is common in the cryptocurrency community to mean a form of specific identification where assets with the highest basis are sold first. Additionally, no manual edits were made to the amounts imported into the software and aside from the basis methodology, no changes to the default options were made. Each software produced tax reports

⁵ Cryptocurrency purchased was USDC, BTC, ETH, SOL, DOGE, XRP, ADA, BNB, UNI and USDT.

⁶ Two exchanges did not have options to report under the HIFO method, and thus no data is reported for them in Column (2) of Table 2.

and tax forms without requiring additional information. This was done to (i) standardize the process between each software and (ii) examine how well each software provider performed using only the same set of input data. If taxpayers review each transaction and manually edit the reports from the cryptocurrency software providers, it will likely serve to decrease the differences between them.

The amounts for both capital gain and ordinary income are reported in Table 2. Column (1) reports the amounts under FIFO and Column (2) reports the amounts under HIFO. Since transactions were done in a relatively short window of time and at a time of depressed cryptocurrency prices, the overall gain or loss from the transactions was negative. A few items stand out. First, the average amount of capital loss is negative, and the average income is relatively small.⁷ This is due to both the small amount of total capital used (\$850 of cryptocurrency was purchased overall) and the short time window in which the transactions were conducted. A large portion of the losses were the result of fees, which increase the basis of purchased cryptocurrency or decrease the proceeds when cryptocurrency is sold. Second, there is a wide range of values, with no two service providers calculating the same amount of loss (several service providers did calculate the same amount of income which was from staked cryptocurrency). Estimates of capital loss range from \$120.94 of gain to \$181.35 of loss, depending on the method and provider. The outlier, Provider A, failed to recognize basis from the purchase of \$300 of USDC for fiat, assuming a basis of \$0 when the USDC was used to purchase other cryptocurrency, resulting in \$283 of gain. The other item of note is that for Provider C, the amount of loss recognized under FIFO is greater than the amount of loss recognized under the HIFO method, despite the HIFO method's purpose being to minimize

⁷ All capital losses in this instance are short-term, as all the cryptocurrency had been held for less than one year.

taxable income. This appears to be the result of how transfers between wallets were calculated. Cryptocurrency with a higher basis was transferred out of a wallet before a sale under FIFO, resulting in a lower basis when the remaining cryptocurrency in that wallet was later sold. In the next section, I detail areas where cryptocurrency service provider calculations differ based on speaking with several cryptocurrency tax professionals and, where possible, using examples from these transactions to highlight the difference in these calculations.

4. Potential Sources of Variation in Tax Calculations

As noted above, even with a relatively limited set of transactions for a single year and over a short time window, cryptocurrency service providers have difficulty in calculating consistent gains. Based on this evidence and interviews with tax professionals who specialize in cryptocurrency I detail several potential differences and errors that are common to cryptocurrency service providers. Where possible, I show these differences using examples from the test transactions detailed in Section 3.2. I divide these errors into three categories, tax law uncertain transactions, computational errors, and user errors. *Tax law uncertain transactions* are transactions where the treatment is uncertain from a tax law standpoint because the underlying law is unclear or ambiguous. Although these types of error create differences, they do not necessarily signify non-compliance. *Computational errors* are errors in cryptocurrency software providers' calculations that are contrary to tax law. In this group of errors, I also include errors where the tax software provider makes a reporting choice with incomplete information, rather than forcing the user to provide additional information to clarify the treatment of the transaction. These types of errors can create differences from the true taxable income but may or may not create differences between providers. The last category of errors is *User generated errors*. These are not necessarily errors created by the cryptocurrency software providers, but they are

facilitated by or allowed by the provider. Each of these types of errors necessitates a different policy response, and I offer potential policy implications in Section 5.

4.1 Tax Law Uncertain Transactions

4.1.1 Calculation of Prices

Unlike many traditional financial assets, cryptocurrency does not always adhere to the “law of one price”. The price of the same asset, at the same time, can vary considerably between exchanges or venues. Makarov and Schoar (2019) find that there are sustained differences in the price of the same cryptocurrency asset that can create arbitrage opportunities both within countries and especially between countries. Unlike traditional securities, cryptocurrency is often exchanged for another cryptocurrency. This feature means that many trades will not have fiat currency as part of the transaction that would set a clear fair market value. Instead, when one cryptocurrency is exchanged for another, the amount of cryptocurrency must be converted into a fiat currency equivalent. In a simple example, if a taxpayer exchanges Bitcoin for Ethereum, the transaction will be denominated in BTC and ETH. However, there will also be separate markets for BTC to U.S. Dollars and ETH to U.S. Dollars. The exchange rates of each of these pairs may not be perfectly efficient, and thus the cryptocurrency service provider must make a decision on how to price the transaction. The IRS allows service providers to use a reasonable method.⁸

In testing various service providers, it was noted that the price recorded for cryptocurrencies can vary from service provider to service provider. In Table 3, I reproduce the reported amounts from a single transaction, a trade of XRP for ETH for each service provider. This transaction was executed with cryptocurrency that was purchased on Coinbase and never transferred. Column (6) estimates the price of ETH that was used for the transaction by dividing

⁸ Reg. §1.6045-1(d)(5)(ii)(A).

the reported proceeds by the amount of ETH purchased (0.010291). The price of ETH at the time of the trade as reported by Coinbase was \$3,028.82/ETH. The estimated variance between the price of ETH as reported by Coinbase and as reported by cryptocurrency service providers is between +0.99% and -2.89% (untabulated).⁹ Although the amounts in this transaction are small, the mean variance is -1.76%, potentially representing an underreporting of tax compared with the value that would be reported if the value from Coinbase was used.

4.2 Computational errors

4.2.1 Treatment cryptocurrency transfers

One of the key features of the blockchain is that every transaction is recorded and publicly available. This allows crypto tax software providers to easily gather all a customer's transactions simply by connecting the customer's wallets. This process requires the customer to link all their cryptocurrency wallets to the service. The service provider can then see the entire history of transactions recorded on the blockchain. In theory, this should allow service providers to observe the difference between external transfers and internal transfers. The difference across services in this area is the default treatment of transfers into customer cryptocurrency wallets.

By definition, if a customer links all their cryptocurrency wallets to a service, any transfers from unlinked wallets must, by definition, be external transfers. This would mean that a cryptocurrency transfer into a wallet must be a receipt of payment (e.g., payment for goods or services), a gift, or a purchase of cryptocurrency. If the transfer was a purchase, the service should be able to observe that purchase either through connected reports from centralized exchanges or through blockchain data from decentralized exchanges. In this case of a purchase,

⁹ Since it is ambiguous in the cryptocurrency reporting software where fees are reported, I also re-run the calculation assuming that the fee of \$0.31 as reported by Coinbase was subtracted from the gross proceeds. In this case the variation in ETH price from Coinbase is between +1.99% and -1.90% (untabulated).

the basis of the cryptocurrency should be the purchase price at the time the cryptocurrency was purchased and there should be no income. In the case of a gift, the basis in cryptocurrency should be the basis that the gifting party had in the asset, and there should be no income. In the case of a receipt of payment, the basis of the cryptocurrency would be equal to the value when received and income would be recognized by the taxpayer.

Different service providers have different default treatments for these transactions, with many assuming that the cryptocurrency transfer is tax-free and basis equals the value at the time of the transfer. This treatment appears to assume that the transfer was a purchase unless the taxpayer manually changes the treatment. This default treatment has the effect of reducing taxable income for users but is also one of the more unlikely. Most purchases should be identifiable from blockchain records. Even within the same service provider, some cryptocurrency can be treated differently than others. For example, the service provider may treat one type of cryptocurrency transferred into a wallet as income but ignore the income if a different type of cryptocurrency is transferred into the same wallet. Other service providers will also assume that the basis of transferred cryptocurrency is \$0. This effectively shifts what could be ordinary income in the current tax year to capital gain in a future tax year. This decision also reduces total tax liability. For service providers that recognize income on the transfer of cryptocurrency, they may also treat it as capital gain rather than ordinary income.

Most cryptocurrency transactions on the blockchain are subject to transaction fees, paid whenever cryptocurrency is sent from one wallet to another. Treatment of fees varies between services and can in some cases lead to different results. Figure 2 shows a series of hypothetical transactions by Joe. Joe begins with 1 Bitcoin (BTC) which has a basis of \$800. If this BTC was purchased using cash, his basis is comprised of the purchase price of the BTC plus any fees

related to the purchase price.¹⁰ Joe then trades his BTC for Ether (ETH) (transaction A), transfers the ETH to a secondary controlled wallet (transaction B), and finally sells his ETH for cash (transaction C).

When Joe trades his Bitcoin for Ethereum it is considered property for tax purposes.¹¹ In this case, we assume that Joe pays a small fee in BTC to engage in the transaction. For tax purposes, the taxpayer first recognizes gain on the fee. Since Joe is paying an expense via cryptocurrency, it is treated as a sale, and Joe has a \$2 gain when he pays the fee (\$10 value less \$8 Basis). For the trade of one cryptocurrency to another, Joe receives \$990 worth of ETH and has basis in the 0.99 BTC of \$792. In total, Joe's gain is \$188 from the trade of one cryptocurrency to another (\$990 value received less \$792 basis less \$10 fees paid).¹² In total, Joe recognizes \$190 of income from Transaction A. In the case of cryptocurrency service providers, the gain on the fee may not be recognized at all or it may be applied as additional basis in the received cryptocurrency.

Next in Transaction B, Joe moves his ETH from one wallet he controls to another. In the case of cryptocurrency service providers, the service provider would be able to see that Joe controls both wallets in the transaction and that there should be no gain or loss on the actual transfer. However, Joe pays a fee for this transaction of 0.05 ETH. This fee may be treated in several ways depending on the facts and circumstances. If the transfer between wallets is directly part of an immediate sale, the fee would likely be deductible as part of the sale transaction.¹³ If the fee is paid, but is not directly related to an immediate sale, the fee may be an investment

¹⁰ Reg. §1.6045-1(d)(6)(ii)(A)

¹¹ IRS Notice 2014-21

¹² Reg. §1.6045-1(d)(6)(ii)(C)(2). In the exchange of one cryptocurrency for another, fees from the transaction are allocated to the disposed of property

¹³ Reg. §1.6045-1(d)(6)(ii)(A)

expense. Under this treatment, the taxpayer must be holding the cryptocurrency as an investment for the purpose of producing income. If the fee is an investment expense, it would be non-deductible for the years 2018-2025 and would be treated as an itemized deduction subject to the 2% limitation after 2025.¹⁴ If the cryptocurrency was not held for the production of income, then the fee to transfer it between wallets would be a personal expense, and not deductible from an individual's taxable income. Regardless of the tax treatment of the expense it is paid for in cryptocurrency, there may be a gain or loss on the fee payment. In this case, Joe will recognize \$5 of income from the transfer (\$10 value of fee less \$5 basis in ETH) since the price of ETH has risen. For some cryptocurrency service providers, they will add this fee as additional basis in the ETH that Joe holds. However, they do not appear to have the ability to directly adjust basis, and thus treat Joe as if he is holding an additional 0.05 ETH more than he actually is.¹⁵ This has the effect of both increasing Joe's basis above where it should be, but also since the additional basis is recorded in ETH, it is also affected by subsequent price movements of ETH until Joe sells. This means the cryptocurrency service provider will not only have an incorrect basis, but the amount of incorrect basis will vary based on price changes in ETH over time.

Finally, in Transaction C Joe sells his ETH for cash. The price of ETH has once again risen since Joe's last transaction. He sells \$2,462.50 worth of ETH and receives \$2,457.50 after paying a \$5 fee to the exchange where he sold the cryptocurrency. Joe's basis in the ETH he holds is \$985, and so he recognizes a \$1,472.50 gain on the sale of his cryptocurrency (\$2,462.50 value less \$985 basis less \$5 fee). However, if the service provider treated the prior fee as an increase in basis, his gain would be reduced by \$5 (if the service provider simply ignored

¹⁴ Reg. §1.212-1(g); IRC §67(a); IRC §67(g)

¹⁵ This appears to be a general limitation of the software. It appears that some software keep all balances in cryptocurrency terms, not dollar value terms. This means that if the price of a cryptocurrency changes between a capitalized fee being paid and an eventual sale, the fee will be incorrect.

Transaction B), \$10 (if the service provider recognized gain on Transaction B, and recorded the expense as an increase to basis), or \$12.50 (if the service provider recorded the fee in terms of ETH).

Most cryptocurrency service providers do not separately break out and detail the accounting of fees when reporting tax amounts, so it can be hard to identify the exact treatment of fees. Table 3 offers some clues that certain providers are treating fees incorrectly. In Table 3, the basis reported for the XRP is \$50.92 for Provider H. The XRP was purchased in a crypto-to-crypto exchange using \$50 of USDC which had a basis of \$50. Per Coinbase, there was a \$0.92 fee charged on the transaction. The account received \$49.02 of XRP and paid a \$0.92 USDC fee. This should have created a \$0.92 capital loss on the transaction. However, Provider H reported the purchase of XRP as \$50.92, adding, instead of subtracting, the fee that was paid on the transaction. Even if the fee was to be added to basis (as opposed to reducing the gain on the sale), it would still be an incorrect treatment, as the total value of the transaction was only \$50.

4.2.2 Switching Gain Calculation Methods

The final, and perhaps most egregious case of computational errors was noted by several tax practitioners who I spoke. It involves the calculation of gains and losses across years. Crypto service providers allow users to select the method of gain calculation that they want to use. This choice is in line with the ability to use the *First in, First out* (FIFO) method, the *Last in, First out* (LIFO) method, or a different specific identification as taxpayers choose and to be able to switch between gain calculation methods from year to year. Crypto service providers have set up their software to automatically calculate the different amount of gain depending on the choice of method. This, by itself, does not create an issue in calculating taxable income in the first year a user has cryptocurrency transactions. However, in subsequent years, some crypto service

providers will recalculate a user's entire transaction history using the current year's selected method. By doing this, the crypto service provider effectively changes a user's past gains and losses, resulting in an incorrect basis calculation for the current year. This issue is exacerbated by the focus on taxable gain minimization, where users may change methods each year to report the least amount of gain. This error can also come up when a user switches between services. Since the crypto service provider does not know (and does not ask) how much gain was reported and which method was used on prior year tax returns used, they are unable to accurately track basis across years. In addition, some service providers make it even harder to switch by not providing full year-end statements regarding the calculation of remaining basis in cryptocurrency. Even if a service provider allows a user to export data from prior years, problems remain if the provider changes its calculations between when a taxpayer files a return and when the taxpayer requests their data.

Figure 3 presents a series of transactions which highlights the issue that can occur when the entire transaction history is adjusted for different methods. In Figure 3, Susan begins 2023 with four lots of BTC, all with varying basis levels. During 2023, Susan sells 1 BTC at a price of \$3,000, and the crypto software provider gives Susan the option to choose either FIFO (\$2,250 gain) or LIFO (\$500 gain) as her basis calculation method. Thus for 2023, Susan opts to use the LIFO method of accounting. She files her return, and this treatment is then 'locked in', unless Susan chooses to amend her 2023 tax return.

In 2024, Susan again decides to sell 1 BTC. The software once again presents her with two options FIFO (\$3,000 gain) or LIFO (\$4,000 gain). This time Susan will choose to use FIFO for her method based on the options provided by the software. For these calculations the software assumes that Susan used the same method for all prior years. This treatment is incorrect for the

FIFO method. The software provider will show Susan the amount of gain for 2024 as if she had used FIFO in 2023. However, Susan chose to use LIFO in 2023. The correct amount of gain that should be recorded if Susan reports sales under the FIFO method in 2024 is actually \$4,250. The crypto software provider will understate the amount of gain Susan should recognize by \$1,250.

This error can potentially be one of the costliest for taxpayers. Although some cryptocurrency service providers allow users to “lock” or “freeze” their past transactions, this only works if users have paid for and run tax reports for those past years and if a user has stayed with the same service provider the entire time. If a user switches service providers, they may need to recreate their tax treatment for past years, which may require buying new reports from the cryptocurrency service provider. In addition to the time the taxpayer would have to spend to find and correct differences between the numbers reported on past tax returns and the new cryptocurrency service provider’s recalculation, it would also come with a significant monetary cost. The cost for one year of service (depending on provider and number of transactions) was between \$49 and \$1,999 per year for the cryptocurrency service providers I tested. For a taxpayer with multiple years of past history, switching providers may result in significant monetary costs in order to get accurate tax reports.

4.3 User Generated Errors

4.3.1 User control over transactions

User generated errors are the least under the control of cryptocurrency service providers, as they are primarily errors that are caused by users’ active or inadvertent actions that the service provider cannot observe. However, service providers do have some control over certain aspects, one of which is whether (and which) items they allow users to change. Cryptocurrency service providers allow broad latitude to change the quantity, price, basis, cryptocurrency type, and date

of the transaction, even if the transaction was pulled directly from the blockchain. These changes are allowed even when the changes would clearly contradict the data on the blockchain. For example, even if the blockchain shows that Joe exchanged Bitcoin for Ether, Joe could change the transaction in the service provider's system to be a transaction to exchange Tether for Solana, two completely different cryptocurrencies. Although these adjustments allow users to correct any errors in software provider calculations, they also mean that the documents provided by software providers can be manipulated and cannot be relied on by tax preparers.

5. Implications for Policy

The discrepancies between cryptocurrency software providers should concern taxpayers, tax professionals, and regulators. As recently as October 2025, the Senate Finance Committee has had hearings on the taxation of cryptocurrencies. Some discussions around cryptocurrency have been longstanding. For example, the original Responsible Financial Innovation Act contained provisions relating to the deferral of staking and mining income, and this continues to be an issue still being debated at recent hearings (Crapo 2025).

However, much less discussion has focused on the practical complexities of tax reporting for cryptocurrency, and several factors suggest that this issue will only become more important in coming years. The number of cryptocurrency users continues to grow and the value of cryptocurrency transactions in the U.S. continues to grow (Aiello et al. 2022; Hoopes et al. 2025). With the introduction of third-party reporting for certain cryptocurrency transactions, the reporting of cryptocurrency to the IRS will likely rise for the 2025 tax year. This means that a significant amount of income is likely to be reported in 2025 and onwards based on third-party reporting. This third-party reporting will be at least partially based on the calculations of cryptocurrency software providers.

Policy responses and goals should be different depending on the type of errors. For errors as the result of tax law uncertainty, policymakers and regulators should ensure that accurate and timely guidance is given to taxpayers. Congress should attempt to reduce the uncertainty or the variability in tax treatments when it comes to cryptocurrency. As noted in Section 4.1.1, the ability to use a reasonable method to estimate the fair market value of received cryptocurrency may be providing an opportunity for cryptocurrency service providers to under-report proceeds. Seven out of eight cryptocurrency service providers reported sales proceeds less than the exchange in Table 3.¹⁶

Computational errors require different policy solutions. Like *Tax law uncertain transactions*, *Computational errors* may also benefit from more concrete guidance from regulators and lawmakers. However, it also likely requires enforcement by the IRS, as cryptocurrency service providers who do not suffer penalties will likely continue to report incorrect information. These errors are currently hard to enforce, as it is the taxpayer who files the returns, not the cryptocurrency service provider. The IRS also does not have reporting of whether a taxpayer used a cryptocurrency service provider or which one they used. This would mean that creating a targeted audit program of taxpayers who use particularly egregious service providers would prove difficult. Auditing unsophisticated taxpayers who trusted a cryptocurrency service provider because they were unaware of the tax rules surrounding cryptocurrency may also be politically unpalatable.

Finally, the most difficult errors to correct are likely *User generated errors*, as the cryptocurrency service provider may not even be aware of the issue, and the taxpayer could either be acting maliciously in not reporting certain accounts or may simply have forgotten an

¹⁶ Even assuming that providers subtracted fees from proceeds rather than adding to basis, 6 of 8 cryptocurrency service providers still would have reported proceeds less than the exchange in Table 3.

account. The most direct way to lessen the amount of *User generated errors* is likely for cryptocurrency service providers to restrict what items and amounts can be changed within their software. Users should not be able to change items that are directly observable on the blockchain, such as the type of cryptocurrency being sold/purchased or the amount of said cryptocurrency. Additionally, cryptocurrency service providers could require taxpayers to correct any identified mistakes before being able to calculate and print tax forms. Finally, automated systems could be used to identify potentially missing accounts. Blockchain analysis has long been able to create links between accounts, and that technology could be used to identify potentially missing accounts that a taxpayer did not enter.

6. Conclusion

As cryptocurrency becomes a larger and more widespread part of portfolios, the tax reporting of transactions continues to be an area of difficulty for many preparers. Although crypto service providers purport to offer a solution to this issue, there are significant limitations that tax professionals must be aware of. The requirements for 1099-DA reporting could be seen as limiting the influence of crypto service providers, however, that is unlikely to be the case. Crypto Service Providers have already begun to pivot and advertise their usefulness with respect to 1099-DA compliance, and several exchanges have already partnered with crypto service providers for basis calculations for their users. Although 1099-DA reporting likely reduces the use of crypto service providers by taxpayers by requiring that they be provided with tax forms showing basis and taxable gain, it will likely increase the use of service providers by exchanges. With over 8 billion 1099-DAs likely to be filed, the potential for error is large if even only a small number of transactions are affected. As 1099-DA will be reported to the IRS, it will make fixing any mistakes by crypto service providers much harder for taxpayers, as the IRS is likely to

match their tax return reporting based on third-party reported Forms 1099-DA. This potentially increases both taxpayers' return-preparation costs and inefficiencies within the IRS if the IRS chooses to audit taxpayers who report their cryptocurrency gains correctly.

References

- Aiello, Darren and R. Baker, Scott and Balyuk, Tetyana and Di Maggio, Marco and Johnson, Mark J. and Kotter, Jason D., Who Invests in Crypto? Wealth, Financial Constraints, and Risk Attitudes (November 18, 2022). Available at SSRN: <https://ssrn.com/abstract=4281330>
- Ainsworth, K., Askew, D., Kwon, P. (2022) Infrastructure Investment and Jobs Act Contains New Cryptocurrency Reporting Requirements. *Tax Strategist BDO*. <https://www.bdo.com/insights/tax/infrastructure-investment-and-jobs-act-contains-new-cryptocurrency-reporting-requirements>. Visited 9/30/2025.
- Allingham, M. G., & Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of public economics*, 1(3-4), 323-338.
- Azevedo, M. A. 2021. Crypto tax software provider TaxBit raises \$130M at a \$1.33B valuation. *TechCrunch*. <https://techcrunch.com/2021/08/12/crypto-tax-software-provider-taxbit-raises-130m-at-a-1-33b-valuation/>. Visited 9/30/2025.
- Baer, K., De Mooij, R., Hebous, S., and Keen, M. (2023). Taxing cryptocurrencies. *Oxford Review of Economic Policy*, 39(3):478–497.
- Becker, B. (2023, October 30). *Swimming in crypto forms*. Politico. <https://www.politico.com/newsletters/weekly-tax/2023/10/30/swimming-in-crypto-forms-00124189>
- Blackstone, T. (2023, March 09). *Cointracker integrates with H&R Block to offer crypto tax preparation*. <https://cointelegraph.com/news/cointracker-integrates-with-h-r-block-to-offer-crypto-tax-preparation>
- Brunette, S. (2024). *Crypto Tax Calculator and Coinbase Join Forces to Simplify Your Crypto Journey*. Crypto Tax Calculator. <https://cryptotaxcalculator.io/us/blog/coinbase-partnership/>
- Castelluccio, J., Olmem, A., Bisanz, M., Rohith, G., Bazar, J., and Neuman, A. 2022. *Mayer Brown*. <https://www.mayerbrown.com/en/insights/publications/2022/06/the-lummisgillibrand-responsible-financial-innovation-act-what-to-know>. Visited 9/30/2025.
- Cointracker. <https://www.cointracker.io/about>
- Cong, L. W., Landsman, W., Maydew, E., & Rabetti, D. (2023). Tax-loss harvesting with cryptocurrencies. *Journal of Accounting and Economics*, 76(2-3), 101607.
- Crapo, M. (2025) Crapo Announces Hearing on Taxation of Digital Assets. United States Senate Committee on Finance. <https://www.finance.senate.gov/chairmans-news/crapo-announces-hearing-on-taxation-of-digital-assets>. Visited 9/30/2025.
- Curry, J. (2023, October 23). *IRS Prepping for at Least 8 Billion Crypto Information Returns*. Tax Notes. <https://www.taxnotes.com/tax-notes-today-federal/tax-system-administration/irs-prepping-least-8-billion-crypto-information-returns/2023/10/26/7hhdp>
- De Simone, L., Jin, P., & Rabetti, D. (2024). Tax avoidance with DeFi lending. *Available at SSRN 4764605*.
- Federal Reserve Bank of St. Louis (2025). Gross Domestic Product. <https://fred.stlouisfed.org/series/GDP#>
- Gold, M. 2025. What to Know About the Three Crypto Regulation Bills in Congress. *The New York Times*. <https://www.nytimes.com/2025/07/17/us/politics/crypto-regulation-bills-explainer.html>. Visited 9/30/2025.

- Hoopes, J. L., Menzer, T., & Wilde, J. H. (2022). Who Sells Cryptocurrency?. *Available at SSRN 4261066*.
- IRS. (2024, June 28) *Treasury, IRS issue final regulations requiring broker reporting of sales and exchanges of digital assets that are subject to tax under current law, additional guidance to provide penalty relief, address information reporting and other technical issues*. Internal Revenue Service. <https://www.irs.gov/newsroom/treasury-irs-issue-final-regulations-requiring-broker-reporting-of-sales-and-exchanges-of-digital-assets-that-are-subject-to-tax-under-current-law-additional-guidance-to-provide-penalty-relief-address>
- Kleven, H. J., Knudsen, M. B., Kreiner, C. T., Pedersen, S., & Saez, E. (2011). Unwilling or unable to cheat? Evidence from a tax audit experiment in Denmark. *Econometrica*, 79(3), 651-692.
- Koinly. <https://koinly.io/media/>
- Meling, T. G., Mogstad, M., & Vestre, A. (2024). *Crypto tax evasion* (No. w32865). National Bureau of Economic Research.
- Nakamoto, S. 2008. A peer-to-peer electronic cash system. <https://bitcoin.org/bitcoin.pdf>. Accessed September 19, 2025.
- PR Newswire. (2022). *ZenLedger Renews Contracts with IRS as Preferred Crypto Tax Software*. PR Newswire. <https://www.prnewswire.com/news-releases/zenledger-renews-contracts-with-irs-as-preferred-crypto-tax-software-301492749.html>
- PR Newswire. (2024, August 27). Taxbit Introduces 1099-DA Support to Streamline Compliance for Digital Asset Brokers. PR Newswire. <https://www.prnewswire.com/news-releases/taxbit-introduces-1099-da-support-to-streamline-compliance-for-digital-asset-brokers-302231843.html>
- Talwar, D. 2025. Global Crypto Tax Information Reporting – Where are we now, and what lies ahead? *S&P Global*. <https://www.spglobal.com/market-intelligence/en/news-insights/research/global-crypto-tax-information-reporting-where-are-we-now-and-what-lies-ahead>. Visited 9/30/2025.
- Tax Law Center, The. (2025) Lummis bill would provide new rules for digital assets. The Tax Law Center. Visited 9/30/2025.
- TaxBit. (2021). *The IRS Selects Taxbit as Software Partner*. TaxBit. <https://www.taxbit.com/blogs/the-irs-selects-taxbit-as-software-partner/>
- TaxBit (2023). An Important Announcement Regarding Taxbit’s Consumer Platform. TaxBit. <https://www.taxbit.com/blogs/taxbit-consumer-platform-update>
- Thompson, C. (2023, May 11). *Zenledger raises \$15m to expand Crypto Tax Products*. CoinDesk. <https://www.coindesk.com/business/2022/05/25/zenledger-raises-15m-to-expand-crypto-tax-products>
- YouGov. 2022. Cryptocurrency. *YouGov*. https://docs.cdn.yougov.com/6gp7y6x0mi/toplines_Cryptocurrency.pdf. Accessed September 19, 2025.
- House Ways and Means Committee. 2025. President Trump Signs Ways & Means Resolution Overturning Biden Administration’s Burdensome IRS DeFi Broker Rule. *House Ways and Means Committee*. <https://waysandmeans.house.gov/2025/04/10/president-trump-signs-ways-means-resolution-overturning-biden-administrations-burdensome-irs-defi-broker-rule/>. Visited 10/1/2025.

Figure 1: Examples of Cryptocurrency Software Errors

Panel A: Unrealistic Amounts

Nick Young, CPA @nyoungdumb · Feb 3, 2023
According to koinly, my client made 167 **trillion** dollars in 2022. More than 5x the US National Debt. Yeaahh..... I think maybe something is wrong here?

Tax report for 2022
1 Jan 2022 to 31 Dec 2022 (-0500)

Summary

Koinly needs your full transaction history (fiat → crypto → crypto → fiat) in order to calculate your tax reports correctly. The transactions used in this report are summarized below.

12087 transactions 4356 deposits 7731 withdrawals 0 trades 0 transfers

Capital gains / P&L	\$0.00
Other gains (futures, derivatives etc)	\$0.00
Income	\$167.71t
Costs & expenses	\$1,869.20
Gifts, donations & lost coins	\$0.00

Note: This is just an indication of your taxable gains. Download a Tax Report to see your short/long-term proceeds, cost-basis, disposals and detailed calculations that you can use in your official tax returns.

Help

My capital gains are too high/wrong!

18 31 4K

Matt Metras cryptotaxpro.eth @EmDeeEm · Oct 5, 2022
Just another reminder to not blindly trust your **crypto** tax software.
#TaxTwitter

Short Term Gain/Loss

\$169,891,290,392.94

13 2 45

Matt Metras cryptotaxpro.eth @EmDeeEm · Jan 24, 2024
Here's your periodic reminder to not blindly trust the output of **crypto** tax software:
#taxtwitter

Total Value of all Coins: +0.83%

18,097,729,655.10 \$
(451,586.24 BTC)

14 4 41 5.4K

Panel B: Differences between Software

Software 2

Tax summary ⓘ

495 transactions 155 trades 112 received 206 sent 22 transfers 0 need review

Total proceeds	\$3,547,986.01	Airdrops and forks	\$0.00
Total cost basis	\$3,214,457.54	Mining and staking	\$0.00
Margin trading gains	\$0.00	Rewards, interest and income	\$0.00
Margin trading losses	\$0.00	Costs and margin fees	\$2,251.93
Net capital gains	\$333,528.48	Gifts, donations and lost coins	\$0.00

This is just a summary of your capital gains and income from cryptocurrencies. Download the Complete Tax Report (PDF) to see a full breakdown of all capital gains transactions and calculations for cost basis and gain/loss which you should report in your tax return.

Software 1

Summary

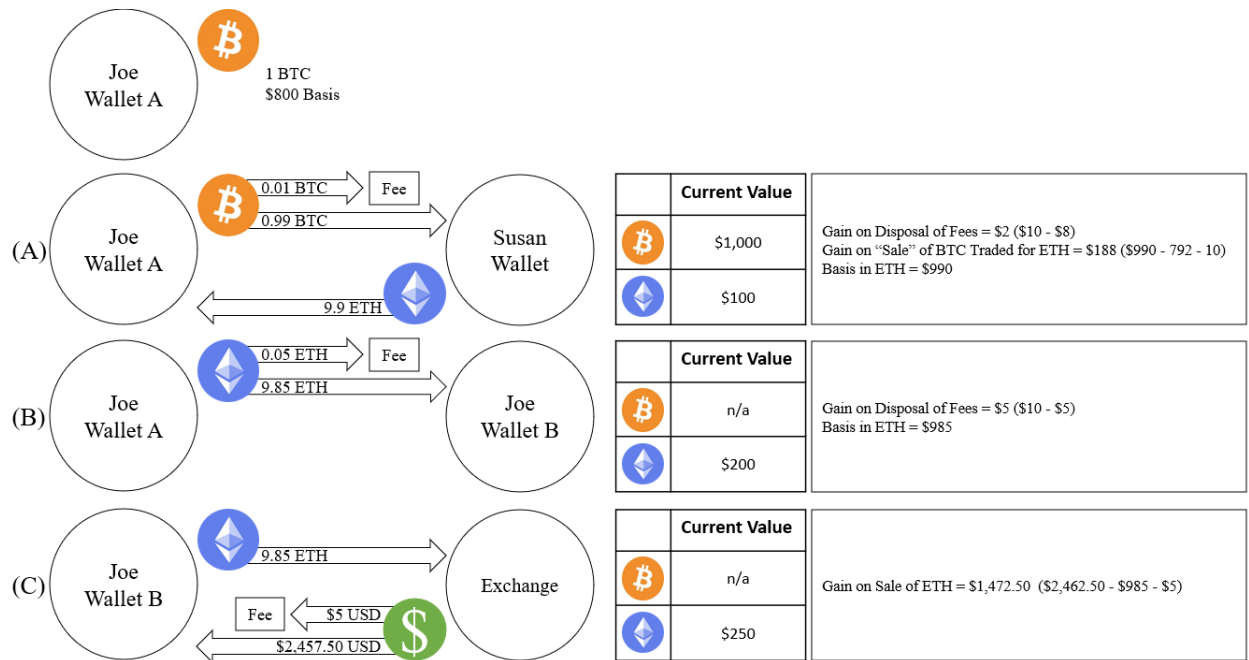
Koinly needs your full transaction history (fiat → crypto → crypto → fiat) in order to calculate your tax reports correctly. The transactions used in this report are summarized below.

558 transactions 129 deposits 257 withdrawals 146 trades 26 transfers

Capital gains / P&L ⓘ	-\$205,252
-----------------------	------------

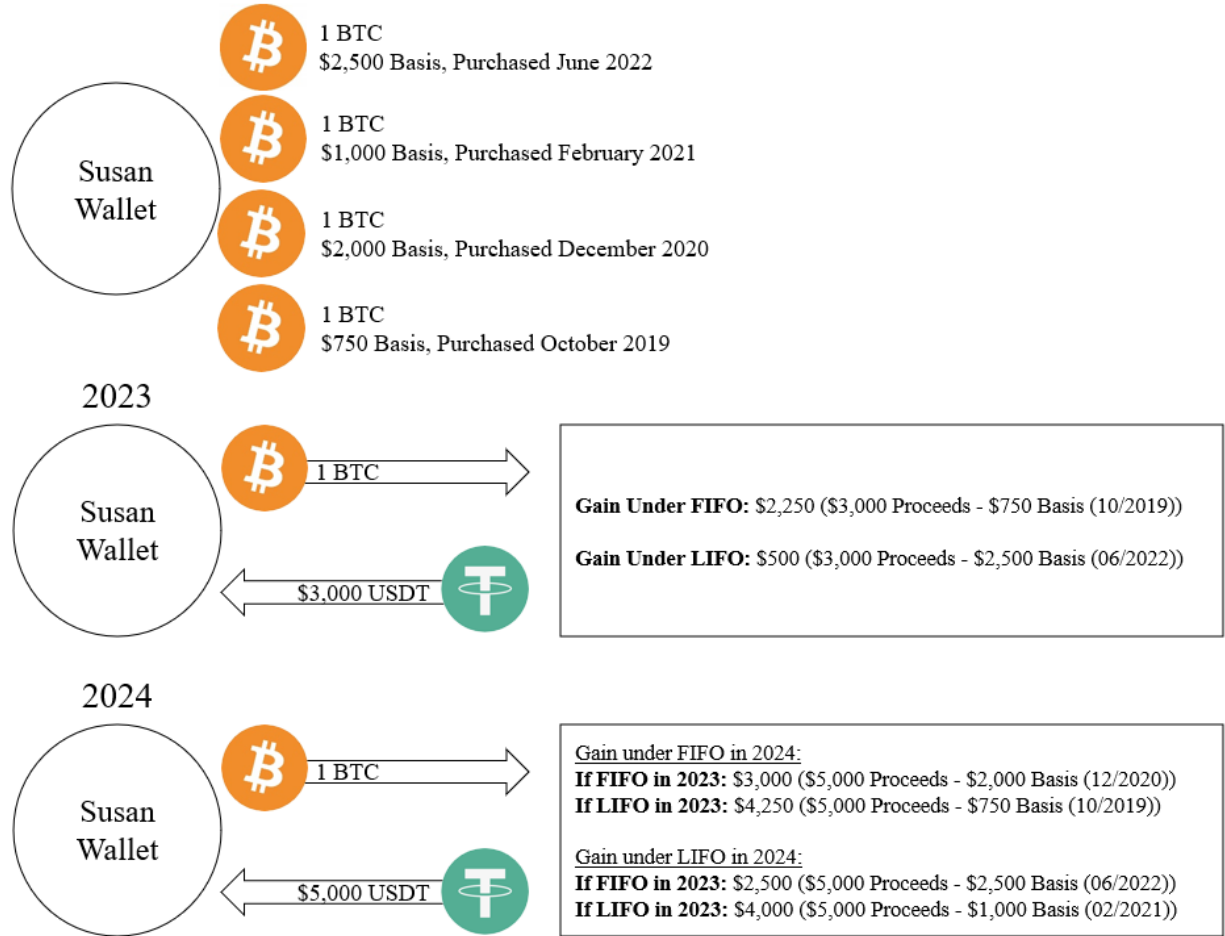
Note: Figure 1 provides examples from a tax professional’s real client data. In Panel A, unrealistic gain amounts ranging from \$18 billion to \$167 trillion are shown. In Panel B, the same set of client transactions are shown using two different cryptocurrency tax software calculators.

Figure 2. Treatment of Fees in Cryptocurrency Transactions



Note: Figure 2 presents a simplified and fictional transaction history for a cryptocurrency trader "Joe". Joe begins with 1 BTC in his wallet with a basis of \$800. In Transaction A, Joe exchanges 0.99 BTC for 9.9 ETH and pays a fee of 0.01 BTC. Values of BTC and ETH are listed as of the trade in the right boxes along with the tax effects of the transactions. In Transaction B, Joe moves ETH from his Wallet A to his Wallet B. This transaction is not considered part of a sale. In Transaction C, Joe sells his remaining ETH for cash on a centralized exchange, paying a small fee in cash.

Figure 3. Taxable Gain under various calculation Methods



Note: Figure 3 presents a simplified and fictional transaction history for a cryptocurrency trader “Susan”. Susan begins the scenario in 2022 with 4 BTC, with each BTC being purchased at a different time and having a unique basis. In both 2023 and 2024, Susan sells 1 BTC for Tether at the listed price. Transaction costs are assumed to be zero for simplicity. In the boxes to the right of each transaction, taxable income from the transaction is calculated based on whether Susan chooses to use the LIFO or FIFO method for calculating basis. For 2024, the amount of gain depends both on the method chosen for 2024 and the method chosen for 2023.

Table 1. Cryptocurrency Service Providers

Service Provider	Website	Customers	Valuation	Funds Raised
Cointracker	https://www.cointracker.io/	3,000,000	\$1,300,000	\$102,000,000
Cointracking	https://cointracking.info/	2,000,000		
CryptoTax Calculator	https://koinly.io/	1,000,000		
Coinledger	https://coinledger.io/	500,000		6,000,000
Blockpit	https://www.blockpit.io/	350,000		10,000,000
Zenledger	https://zenledger.io/	100,000		26,500,000
TaxBit	https://www.taxbit.com/	?	1,330,000,000	230,000,000

Note: Table 1 summarizes the primary cryptocurrency service providers. Estimates for the number of customers are worldwide and taken from the company's website. Valuation is the most recent valuation based on a funding round as reported in the press. Funds Raised is the total amount of external investment raised as reported in the press. For both valuation and funding a google search was conducted to identify any reports of investments.

Table 2. Tax Calculations of Cryptocurrency Service Providers

		Taxable Gain	
		FIFO (1)	HIFO (2)
Provider A	Capital gain	120.94	120.94
	Other Income	0.62	0.62
Provider B	Capital gain	(140.06)	(140.42)
	Other Income	1.10	1.44
Provider C	Capital gain	(165.01)	(150.83)
	Other Income	1.10	1.10
Provider D	Capital gain	(180.52)	(181.35)
	Other Income	1.10	1.10
Provider E	Capital gain	(157.95)	n/a
	Other Income	1.31	
Provider F	Capital gain	(136.83)	(143.28)
	Other Income	1.14	1.14
Provider G	Capital gain	(81.35)	(81.41)
	Other Income	1.52	1.52
Provider H	Capital gain	(159.88)	n/a
	Other Income	1.31	
Average	Capital gain	(112.58)	(96.06)
	Other Income	1.15	1.15

Note: Table 2 presents the calculated amount of taxable short-term capital gain/loss and the amount of ordinary income as reported by eight cryptocurrency tax service providers. Column (1) presents the amount of taxable income under the FIFO cost basis method, and Column (2) presents the amount of taxable income under the HIFO cost basis method. In all cases, no adjustments were made to the amounts calculated by the cryptocurrency tax software providers. No service provider required errors to be addressed before printing tax forms and schedules.

Table 3. Example XRP to ETH Exchange Transaction Reporting

Cryptocurrency Service Provider	Sold (1)	Purchased (2)	Reported			Inferred Sold Price (6)	Inferred Purchase Price (7)
			Proceeds (3)	Cost Basis (4)	Gain/Loss (5)		
Provider A	XRP	ETH	30.27481	48.26905	(17.99)	2941.829	2.866587
Provider B	XRP	ETH	30.91681	49.47084	(18.55)	3004.213	2.937959
Provider C	XRP	ETH	30.26826	49.98312	(19.71)	2941.193	2.968382
Provider D	XRP	ETH	30.61	48.56	(17.95)	2974.4	2.883866
Provider E	XRP	ETH	30.59	49.99	(19.40)	2972.457	2.96879
Provider F	XRP	ETH	31.48	48.59	(17.11)	3058.939	2.885648
Provider G	XRP	ETH	30.30694	50	(19.69)	2944.952	2.969384
Provider H	XRP	ETH	30.53	50.92	(20.39)	2966.627	3.024021
Coinbase	XRP	ETH	31.17	49.39	(18.22)	3,028.82	2.93

Note: Table 3 presents the tax reporting for a single transaction of an exchange from XRP to ETH. For this transaction, \$50 of USDC was originally purchased and converted into 16.838508 XRP at a price of \$2.915. A fee of \$0.92 was paid on the transaction from USDC to XRP resulting in \$49.08 of XRP with a basis of \$49.08. The XRP was then exchanged for 0.010291 ETH at a price of \$3,028.82. A fee of \$0.31 was paid on this transaction. The amounts reported by each provider are the respective lines while the amounts reconstructed directly from Coinbase are in the last row. Columns (6) and (7) are calculated by dividing the reported value by the quantity of cryptocurrency.