

Subject: File No. S7-04-23

From: Robert California

CC:PA:LPD:PR (REG-122793-19) Room 5203 Internal Revenue Service P.O. Box 7604 Ben Franklin Station Washington, DC 20044 Subject: File Number S7-04-23: Comments on Proposed Regulations - Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions I strongly object to the proposed regulations regarding information reporting and the determination of amount realized and basis for certain digital asset sales and exchanges. These proposed regulations not only raise serious concerns about privacy and identity theft but also lack clarity and disregard the impact on companies and protocols. Firstly, there is a glaring issue of privacy associated with the proposed regulations. It is highly concerning that these regulations would require the disclosure of sensitive financial data and social security numbers to multiple third parties. This disregard for privacy is unacceptable and poses a significant risk to individuals' personal and financial information. Furthermore, the proposed regulations will force many participants in DeFi (Decentralized Finance) to collect user information, creating storage of sensitive taxpayer information without proper safeguards. This will inevitably lead to an increase in identity theft cases as criminals are provided with easy access to a centralized repository of valuable data under the guise of tax reporting. In addition, the proposed regulations introduce a confusing reporting framework for different participants in DeFi. With multiple reports likely to be generated for the same transaction, the reporting process will become burdensome and inconsistent. This lack of clarity will only serve to create confusion and hinder compliance efforts. Moreover, these proposed regulations are being rushed into effect without giving companies and protocols sufficient time to adjust their systems and procedures. It is unreasonable to expect entities to accommodate these regulations right away, resulting in possible non-compliance and unnecessary vulnerabilities in the system. Furthermore, the impact of these regulations abroad is not adequately addressed. The reporting requirements for protocols run outside the United States and users located outside the United States must be clearly defined and limited to ensure fairness and avoid overreach. Lastly, the proposed regulations suffer from poorly defined terms that are open to various interpretations. The use of undefined terms like "platform" and inconsistent definitions of terms like "wallet," "smart contracts," and "validator" only leads to further confusion and potential misapplication of the regulations. It is imperative that these concerns are carefully considered and addressed before implementing any regulations pertaining to digital asset transactions. I strongly urge the Internal Revenue Service (IRS) and the Treasury Department to revisit these proposals and engage in thorough consultation with industry experts, stakeholders, and the public to produce regulations that prioritize privacy protection, clarity, adequate implementation timelines, and international considerations. Sincerely, Robert California