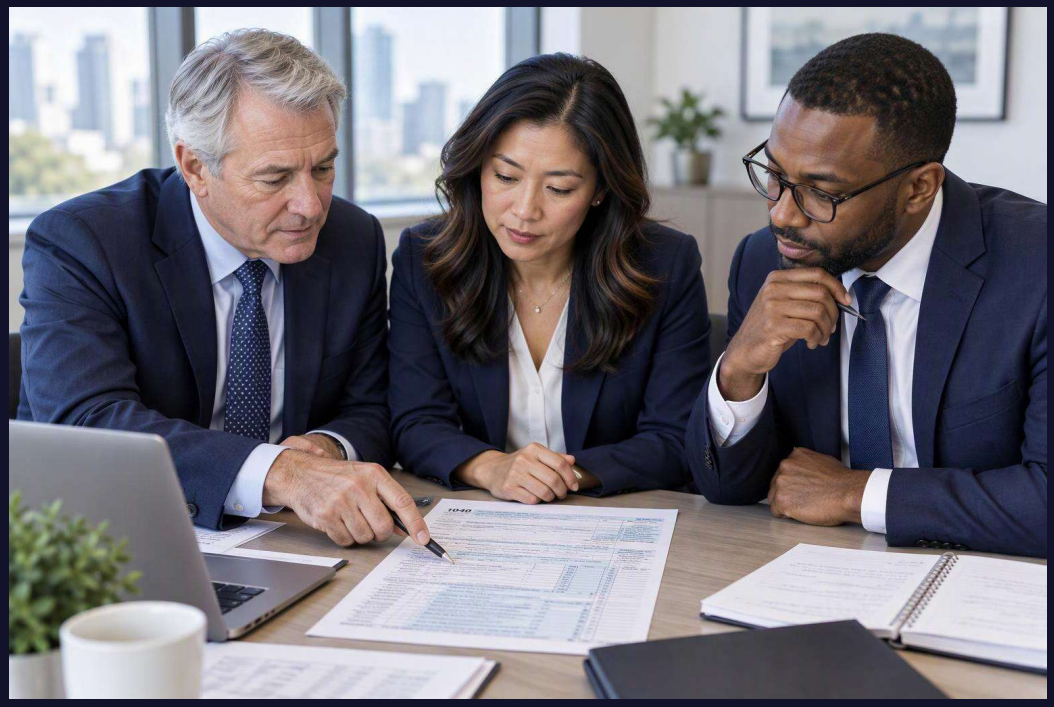
“Rat poison squared.”

Warren Buffett

Crypto skepticism

A Question for CPAs

How many of you think that Form 1099-DA solves your reporting problems for the Form 1040 digital-asset question?



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☐ VOID ☐ CORRECTED

FILER'S name			Applicable checkbox on Form 8949	OMB No. 1545-2330 **2026** Form **1099-DA**
Street address		Room or suite no.		
City or town		Telephone number		
State or province	Country	ZIP or foreign postal code		
FILER'S TIN	RECIPIENT'S TIN			
RECIPIENT'S name				
Street address		Apt. no.		
City or town				
State or province	Country	ZIP or foreign postal code		
Account number				
CUSIP number				

Digital Asset Proceeds From Broker Transactions

Copy 1
For State Tax Department

1a Code for digital asset			
1b Name of digital asset			
1c Number of units			
1d Date acquired	**1e** Date sold or disposed		
1f Proceeds $	**1g** Cost or other basis $		
1h Accrued market discount $	**1i** Wash sale loss disallowed $		
2 Check if basis reported to IRS ☐	**3a** Reported to IRS: ☐ Gross proceeds ☐ Net proceeds		
3b Check if proceeds from: ☐ Reserved for future use ☐ QOF	**4** Federal income tax withheld $		
5 Check if loss is not allowed based on amount in 1f ☐	**6** Gain or loss: ☐ Short-term ☐ Ordinary ☐ Long-term	**7** Check if 1f is only cash ☐	**8** Check if broker relied on customer-provided acquisition information ☐
9 Check if digital asset is a noncovered security ☐	**10**		**11a** Check if gross proceeds reported in 1f is an aggregate amount for: ☐ Qualifying stablecoins ☐ Specified NFTs

11b If 11a checked, number of transactions	**11c** Aggregate gross proceeds of specified NFTs attributable to first sales by a creator or minter $	**12a** Number of units transferred in	**12b** If transferred in, provide transfer-in date	**13**

14 State name	**15** State identification no.	**16** State tax withheld $ $

Form **1099-DA** www.irs.gov/Form1099DA Department of the Treasury - Internal Revenue Service

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Why Crypto Matters to CPAs

Digital assets are no longer a niche issue: they appear in tax returns, businesses, estates, divorces, and fraud investigations.

Your clients often do not recognize that ordinary crypto activity can create taxable events and reporting obligations.

The CPA's role increasingly spans compliance, basis reconstruction, valuation, documentation, and forensic analysis.

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KPMG’s Outlook for Crypto

Themes from KPMG’s 2026 publications

More institutional adoption

Banks and payment firms moving from experiments into operating services.

More stablecoin use

Growing roles in payments, cross-border transfers and treasury operations.

More tokenization

Digital representations of deposits and assets becoming more important.

More regulation and consolidation

Clearer rules influencing investment, partnerships and acquisitions.

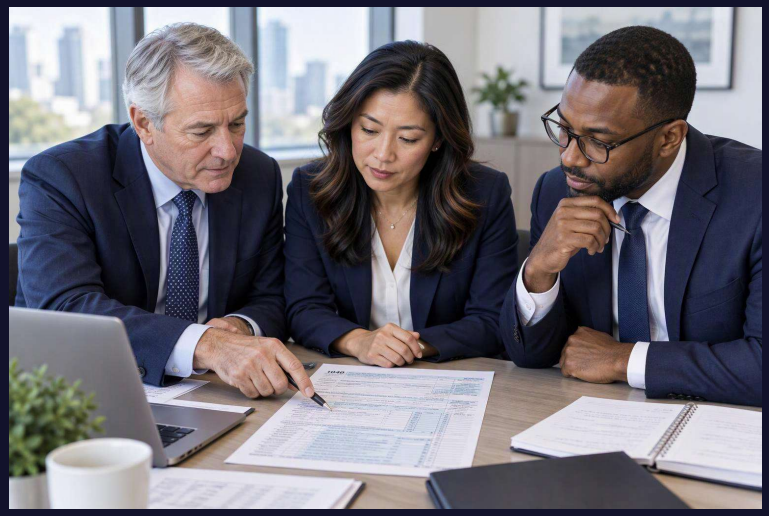
CPA takeaway: More work in records, controls, valuation and reporting.

Directional themes, not guaranteed outcomes or a crypto price forecast.

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Five Parts of the Presentation

Part One	Centralized Finance (CeFi) vs. Decentralized Finance (DeFi)
Part Two	Compliance & Reporting Requirements
Part Three	Form 1099-DA
Part Four	Crypto in Valuation, Divorce, & Forensic Accounting
Part Five	The Future of Cryptocurrency



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Part One:

Centralized Finance (CeFi) vs. Decentralized Finance (DeFi)



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Question 2 of 10

Part One: CeFi and DeFi

Maria holds PYUSD in PayPal. John uses USDC in DeFi. Which statement best describes these stablecoins?

A. Their dollar reference value makes them bank deposits.

B. Their tax treatment depends only on the platform holding them.

C. Their dollar reference value eliminates investment risk.

D. They target a reference value and can operate in CeFi or DeFi.

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CeFi or DeFi: Why it matters for CPAs

Recordkeeping	CeFi: Obtain exchange statements and transaction exports. DeFi: Reconcile wallet and protocol activity. Track dates, units, dollar values, fees and cost basis.
Form 1099 availability	CeFi: Covered brokers report sales on Form 1099-DA. DeFi: Do not assume a protocol will issue a Form 1099. A form may omit basis or fail to capture all activity.
Tax treatment	Sales, swaps and spending can create gains or losses. Rewards may create taxable income. Assess each event in either model, even when no Form 1099 arrives.

CeFi or DeFi guides the records to collect. The transaction determines tax treatment.

Do I want the Client?

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Centralized Finance vs. Decentralized Finance

Part 1: How money moves and who controls it

CENTRALIZED (CeFi)

CONTROL

Banks & institutions manage funds

CUSTODY

Third party holds your assets

ACCESS

Requires approval, KYC, accounts

VS

DECENTRALIZED (DeFi)

CONTROL

Peer-to-peer, no central authority

CUSTODY

Self-custody via personal wallet

ACCESS

Open to anyone with internet acces

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Centralized Finance vs. Decentralized Finance

Part 2: Transparency and intermediaries

CENTRALIZED (CeFi)

TRANSPARENCY

Private, internal ledgers

INTERMEDIARIES

Banks, brokers, exchanges

VS

DECENTRALIZED (DeFi)

TRANSPARENCY

Public, auditable blockchain

INTERMEDIARIES

Smart contracts execute automatically

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Centralized Finance vs. Decentralized Finance

Part 3: Examples of each model in practice

CENTRALIZED (CeFi)	DECENTRALIZED (DeFi)
TRADING	**TRADING**
Coinbase	Uniswap
BANKING & LENDING	**BANKING & LENDING**
Chase	Aave
PAYMENTS & WALLETS	**PAYMENTS & WALLETS**
Visa	MetaMask

VS

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From Coinbase CeFi to DeFi on Coinbase

Four steps to move from a custodial account to self-custody DeFi

1

Custodial start

Buy and hold assets in the Coinbase app.

2

Self-custody

Open Coinbase Wallet and save your seed phrase.

3

Move to Base

Send funds to Base, Coinbase's low-fee network.

4

Use DeFi

Swap, lend, and stake with Uniswap or Aave.

You hold the keys — Coinbase no longer custodies your assets, so security is on you.

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DeFi Lending Example: Supplying USDC on Aave

Using Coinbase Wallet on Base — illustrative figures

HOW IT WORKS

1. Fund Coinbase Wallet with USDC.
2. Connect the wallet to the Aave app.
3. Supply 1,000 USDC to the lending pool.
4. Hold aTokens that accrue interest.
5. Withdraw your funds plus interest.

WHAT YOU EARN

Supplied: 1,000 USDC

Rate: about 4% APY, variable

After 1 year: about 1,040 USDC

Risks: smart-contract bugs, rate swings, gas costs

Illustrative example only — rates vary and DeFi lending carries risk of loss.

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Meet your new clients

Illustration: The Carters



Maria Carter, age 35

Loves her PayPal Crypto account

Johnson Carter, age 36

Maria’s husband and a former gamer
Loves CeFi, but loves DeFi more

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Illustration continued: Maria's PayPal Crypto account



Maria Carter

Her account

Opened January 2026, linked to her PayPal account. Holds Bitcoin and PYUSD (stablecoin).

Her coffee routine

Five days a week on her way to work, she selects "Checkout with Crypto" at Starbucks and uses Bitcoin for her caramel coffee.

Her eBay shopping

She loves eBay. For a recent $100 purchase, she used $100 worth of Bitcoin.

Expected PayPal Crypto activity

200 Starbucks transactions + 25 eBay purchases

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Illustration continued: John’s ETH allocation



John Carter

January 2, 2026

Deposits $120,000 into Coinbase.
Buys 40 ETH at $3,000 per ETH.

5 ETH remain in Coinbase

Stakes the ETH for rewards.

35 ETH move to MetaMask

15 ETH to Aave lending, wrapped as WETH for interest
15 ETH to Uniswap
5 ETH stay in MetaMask as a reserve

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Maria and John: Vocabulary, CeFi and DeFi

CeFi: Centralized finance

A company holds assets and manages services. Examples: their PayPal and Coinbase accounts.

DeFi: Decentralized finance

Blockchain smart contracts provide services. John accesses Aave and Uniswap via MetaMask.

Staking

Committing crypto to help secure a proof-of-stake network and earn rewards. John uses Coinbase as a custodian for ETH staking. (cbETH)

Wrapped ETH (WETH)

An ERC-20 token backed 1:1 by ETH. Wrapping lets ETH work in compatible DeFi apps. Wrapping alone does not earn interest.

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Maria and John: Vocabulary, CeFi and DeFi (continued)

MetaMask

A self-custody wallet for managing crypto and connecting to blockchain apps. John controls his keys and must protect access.

Uniswap

A decentralized exchange protocol for token swaps using liquidity pools. Liquidity providers can earn trading fees and face loss risk.

Aave and lending

A DeFi lending protocol. John supplies WETH to a pool for borrowers to use and earns variable interest, with smart-contract risk.

Stablecoin

A token designed to track a reference value, such as the U.S. dollar. Maria's PYUSD targets $1. Stablecoins can be used in CeFi or DeFi.

Maria and John: Vocabulary continued

Proof of work vs. proof of stake

Proof of work (PoW): Bitcoin

Miners compete using computing power to add blocks and earn rewards. Requires hardware and electricity.

Maria buys and spends Bitcoin. She is not mining it.

Proof of stake (PoS): Ethereum

Validators pledge ETH to help secure the network and earn rewards. Penalties can reduce their stake.

John stakes ETH through Coinbase. His rewards require separate tracking.

Why it matters for CPAs: U.S. federal tax

Mining: Income at fair market value when received.
Staking: Cash-method taxpayers recognize reward income when they gain dominion and control. Record units, dates, dollar values and basis.

Part Two: Compliance & Reporting Requirements



The IRS Is Paying Attention

Question 4 of 10

Part Two: Compliance and Reporting

A cash-method client receives ETH staking rewards but no information return. When does the client generally recognize reward income?

A. When the client later sells the ETH for dollars.

B. When the platform issues an information return.

C. When the client gains dominion and control of the rewards.

D. When the client transfers the rewards to another wallet.

Digital-Asset Question from the 2025 1040: page 1

Digital Assets: At any time during 2025, did you (a) receive (as a reward, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions) Yes __ No__



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Digital-Asset Question from the 2025 1040: page 1

Digital Assets: At any time during 2025, did you

(a) receive

(as a reward,

or payment for property or services);

John’s Coinbase staking rewards: CeFi



Illustrative 2026 case: John stakes 5 ETH directly through Coinbase, without wrapping into cbETH. Assume 2.4% annual rewards after fees.

5 ETH × 2.4% = 0.12 ETH in annual rewards
At a reward-weighted average value of $6,000/ETH:
0.12 ETH × $6,000 = $720 of reward income.

$720 alone is below the $2,000 reporting threshold for 2026 Form 1099-MISC, but remains taxable.
A later Coinbase sale generally appears on 1099-DA.

CPA: Reconcile rewards, timing, values and basis.
Illustrative assumptions, not a forecast.
Recognize income when John gains dominion and control.

Digital-Asset Question from the 2025 1040: page 1

Digital Assets: At any time during 2025, did you

(b) sell, exchange, or otherwise dispose of a digital asset

(or a financial interest in a digital asset)?

John’s illustration: A taxable exchange

Subpart (b): Sell, exchange or otherwise dispose

John swaps 15 ETH on Uniswap for 60,000 USDC.
Assume ETH is worth $4,000 and each USDC is worth $1.



$60,000

Value received
15 ETH × $4,000

$45,000

Original cost basis
15 ETH × $3,000

$15,000

Capital gain
Before fees

Yes to subpart (b), even though John receives no cash.

Illustrative 2026 transaction. Report the exchange even without a Form 1099.

John’s illustration: A transfer, not a sale

John moves 35 ETH from Coinbase to his own MetaMask wallet.
He keeps ownership of the same assets.



35 ETH

Same assets and same owner
No sale proceeds from the transfer

$105,000

Original basis carries over
35 ETH × $3,000, ignoring fees

This transfer alone does not trigger subpart (b).

Keep transfer records. Analyze fees and later swaps separately.
Staking rewards can still trigger “Yes” under subpart (a).

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Maria’s Starbucks purchases: Bitcoin sales



Illustrative 2026 case: Maria uses Bitcoin from her PayPal wallet for 200 Starbucks purchases. Each checkout disposes of Bitcoin: Yes to (b).

Gain or loss = proceeds – basis of Bitcoin sold. Calculate each sale using its date, value and basis. The coffee price alone does not tell us the gain.

Does Maria get Form 1099-DA? Yes, from PayPal for the Bitcoin sales in her PayPal wallet. Starbucks does not issue her crypto tax form.

CPA: Reconcile 200 coffee purchases + 25 eBay purchases.
Use PayPal’s transaction records and Form 1099-DA for Form 8949 / Schedule D.
Report taxable dispositions even if no form arrives.

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CPA Reporting Risks “Reward”

Omitted income: A 1099-DA alone can miss rewards. Ask about staking, mining and every wallet or exchange, even if no 1099 arrives.

Wrong timing or basis: Document control and USD value at receipt. Reconcile later sales so the same value is not taxed twice.

Preparer exposure: IRC §6694 penalties can apply to qualifying understatements. Circular 230 violations can also lead to discipline.

CPA safeguard: Question incomplete or inconsistent records. Document the reconciliation, client responses and advice before signing.

Part Three:

Form 1099-DA



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☐ VOID ☐ CORRECTED

FILER'S name		Applicable checkbox on Form 8949	OMB No. 1545-2330 **2026** Form **1099-DA**
Street address	Room or suite no.		
City or town	Telephone number	**1a** Code for digital asset	
State or province / Country / ZIP or foreign postal code		**1b** Name of digital asset	
FILER'S TIN	RECIPIENT'S TIN	**1c** Number of units	
RECIPIENT'S name		**1d** Date acquired	**1e** Date sold or disposed
Street address	Apt. no.	**1f** Proceeds $	**1g** Cost or other basis $
City or town		**1h** Accrued market discount $	**1i** Wash sale loss disallowed $
State or province / Country / ZIP or foreign postal code		**2** Check if basis reported to IRS ☐	**3a** Reported to IRS: ☐ Gross proceeds ☐ Net proceeds
Account number		**3b** Check if proceeds from: ☐ Reserved for future use ☐ QOF	**4** Federal income tax withheld $
CUSIP number			
5 Check if loss is not allowed based on amount in 1f ☐	**6** Gain or loss: ☐ Short-term ☐ Ordinary ☐ Long-term	**7** Check if 1f is only cash ☐	**8** Check if broker relied on customer-provided acquisition information ☐
9 Check if digital asset is a noncovered security ☐	**10**		**11a** Check if gross proceeds reported in 1f is an aggregate amount for: ☐ Qualifying stablecoins ☐ Specified NFTs
11b If 11a checked, number of transactions	**11c** Aggregate gross proceeds of specified NFTs attributable to first sales by a creator or minter $	**12a** Number of units transferred in	**12b** If transferred in, provide transfer-in date / **13**
14 State name	**15** State identification no.		**16** State tax withheld $ $

Digital Asset Proceeds From Broker Transactions

Copy 1
For State Tax Department

Form **1099-DA** www.irs.gov/Form1099DA Department of the Treasury - Internal Revenue Service

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What Counts as a Digital-Asset?

Cryptocurrency such as Bitcoin and Ether

Stablecoins and other tokenized value

Nonfungible tokens (NFTs)

Other assets recorded on cryptographically secured distributed ledgers

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1099-DA: A New Reporting Era

What it Does

- Creates broker information reporting specifically for digital-asset transactions.
- Increases third-party visibility into customer sales and exchanges.
- Moves crypto reporting closer to the information-reporting model CPAs know from securities.

What it means for CPAs

- Expect more IRS matching.
- Reconcile client records to broker reporting.
- Watch basis data carefully during the transition.

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1099-DA: What It Does NOT Do

It does not report staking rewards or other income — only covered sales and exchanges.

It does not cover self-custody wallets or direct DeFi activity; the DeFi broker rule was repealed in 2025.

It does not supply complete cost basis, especially for assets transferred in from another platform or wallet.

It does not relieve the taxpayer of reporting — the return still requires a full transaction-level analysis.

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John’s DeFi activity without Form 1099-DA



MetaMask: His self-custody wallet
John controls the assets and connects to DeFi.
The wallet itself does not issue Form 1099-DA.

Aave: His direct lending activity
No Form 1099-DA expected from the protocol.
Track deposits, withdrawals and earnings.

Uniswap: His direct swaps and liquidity activity
No Form 1099-DA expected from the protocol.
Reconstruct transactions from wallet records.

John must still report taxable income and gains.
CPA: Reconcile wallet history, USD values, fees and basis.
A later sale through Coinbase may produce a Form 1099-DA.

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Knowledge check: John’s DeFi activity

John uses MetaMask to access Aave and Uniswap. He receives no Form 1099-DA for his direct DeFi activity. Which statement is correct?

A. He can omit those transactions because no Form 1099-DA was issued.

B. He reports the transactions only when he converts crypto into U.S. dollars.

C. He must analyze the transactions and report taxable income and gains using his wallet records, even without Form 1099-DA.

D. MetaMask must issue a consolidated Form 1099-DA covering all his DeFi activity.

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Maria’s Form 1099-DA: Starbucks and eBay



Yes. In this illustration, PayPal sells Maria’s Bitcoin to fund her Starbucks and eBay purchases. Those Bitcoin sales appear on Form 1099-DA.

PayPal issues the form to Maria.
Starbucks and eBay do not issue her crypto form.
Reconcile 200 coffee purchases + 25 eBay purchases.

Form 1099-DA reports Bitcoin sale proceeds.
It does not report the coffee or merchandise itself.
Proceeds are not the same as taxable profit.

Gain or loss = sale proceeds − basis of the Bitcoin sold.
CPA: Verify dates, basis and fees using PayPal’s transaction records.
Report taxable dispositions even if no form arrives.

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Form 1099-DA and Basis

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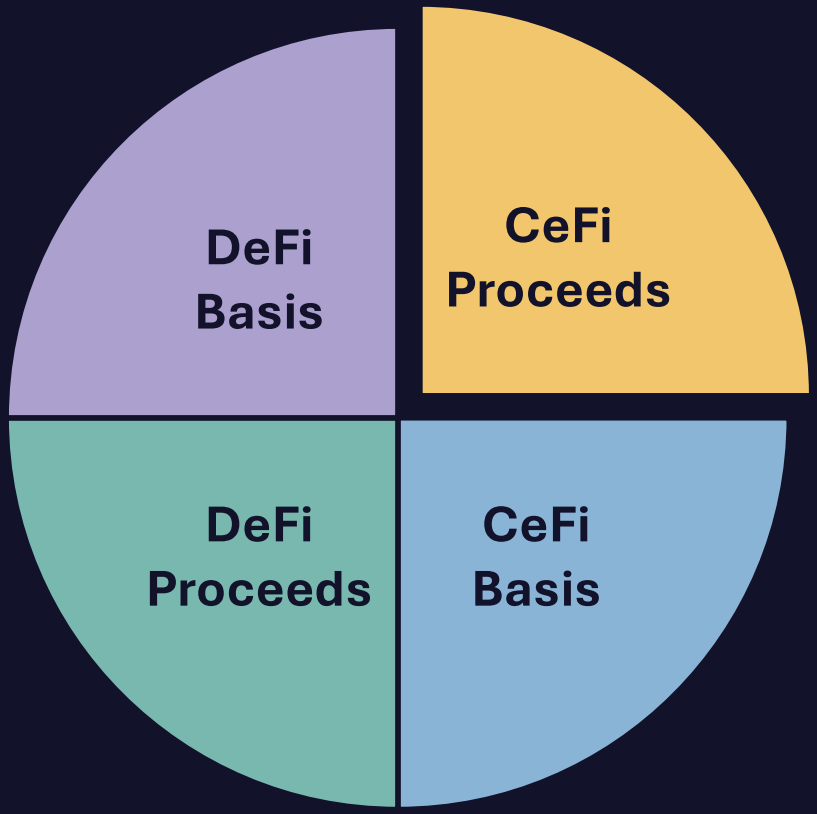
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Feeling overwhelmed?

“Trust, but verify.”



CeFi and DeFi: proceeds and basis





Conceptual illustration. Equal slices do not represent dollar amounts.

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1099-DA: Basis Boxes

Box 1g — Cost or other basis: the aggregate basis of the digital assets sold or exchanged.

Blank Box 1g does not mean zero basis — it means the broker did not know it. Any entry, including zero, was reported to the IRS as basis.

Box 2 — If checked, the basis in Box 1g was reported to the IRS. Box 6 shows short-term or long-term.

Box 8 — Broker used customer-provided basis info.

Box 9 — Noncovered: taxpayer supplies basis.

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Maria’s Bitcoin sales: proceeds and basis

Maria uses PayPal Bitcoin for 200 Starbucks purchases and 25 eBay purchases. Her $100 eBay purchase uses $100 of Bitcoin. Ignore fees in this example.

Covered example: Assume a 2026 PayPal Bitcoin purchase, held there until sale. Box 1f: $100 proceeds. Box 1g: basis. Box 2: checked.

Noncovered alternative: If Maria transferred the Bitcoin into PayPal, Box 9 may be checked and Box 1g may be blank. Assume no voluntary basis reporting.

Maria’s gain or loss = $100 proceeds – basis of the Bitcoin sold. Her basis is not specified. The CPA verifies her records and reconciles all 225 purchases.

John’s Uniswap swap: proceeds and basis

John bought 40 ETH at $3,000 each on January 2, 2026. He moved 35 ETH to his MetaMask wallet and allocated 15 ETH to Uniswap.

Illustrative swap: John exchanges 15 ETH on Uniswap for 60,000 USDC. Assume ETH is worth $4,000 and USDC is worth $1. Ignore fees.

Tax result: $60,000 proceeds − $45,000 ETH basis = $15,000 capital gain. The USDC starts with $60,000 basis. No cash withdrawal is necessary.

No Form 1099-DA from MetaMask for this self-custody swap. The CPA uses John’s Coinbase purchase records and wallet history for Form 8949 and Schedule D.

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CPA Tax Return Preparer Points – 1099-DA

Box 9 checked: The asset is noncovered. The broker may leave basis unreported.

Box 1g blank: Obtain the client's purchase and transfer records. A blank does not establish zero basis.

Box 2 checked: The broker reported basis to the IRS. Reconcile it with the client's records.

1099-DA: More Boxes CPAs Should Know

Box 1f: Proceeds. Calculate gain separately using basis. A crypto-for-crypto swap can create proceeds without a cash payment.

Boxes 1d, 1e and 6: Acquisition date, sale date and gain/loss type. Verify the original acquisition date and holding period.

Boxes 12a and 12b: Units transferred in and transfer-in date. Trace earlier records. A transfer between your own accounts preserves the holding period.

Box 4: Federal income tax withheld. Claim the withholding as a tax payment on the return, rather than adding it to basis.

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John’s crypto swap: proceeds and Box 1f

John swaps 15 ETH on Uniswap for 60,000 USDC. Assume ETH is worth $4,000 and USDC is worth $1. His ETH basis is $45,000. Ignore fees.

Broker comparison: If a reporting broker handled the same swap, Box 1f would show $60,000 in U.S. dollar proceeds, even though John receives no cash.

John’s capital gain: $60,000 proceeds − $45,000 ETH basis = $15,000. The 60,000 USDC received starts with $60,000 of basis.

John’s direct Uniswap swap does not produce Form 1099-DA from MetaMask or Uniswap. The CPA uses his purchase and wallet records to report the exchange.

Crypto Basis Software Complements Tax Software

1. Reconstruct crypto transactions and basis

Ledgible, CoinTracker, CoinLedger or Koinly

Import wallet and exchange history, reconcile transfers, and calculate gains and losses.

2. Prepare and file the tax return

UltraTax CS, Lacerte, Drake or CCH Axcess

Enter or import the reconciled proceeds and basis into the tax return.

A crypto import feature does not necessarily include basis reconstruction. Confirm compatibility and separate fees.

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Information Reporting is not Tax Reporting

A form reported to the IRS may show proceeds without telling the full basis story

Wallet-to-wallet transfers can look like dispositions if records are incomplete.

Exchange statements may omit activity that occurred on other platforms or in self-custody



The tax return still requires a complete transaction-level analysis.

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Records CPAs Should Ask For

Exchange transaction histories and year-end statements

Wallet addresses and transfer histories

Cost-basis reports and prior-year workpapers

Bank and credit-card records showing fiat purchases or cash-outs

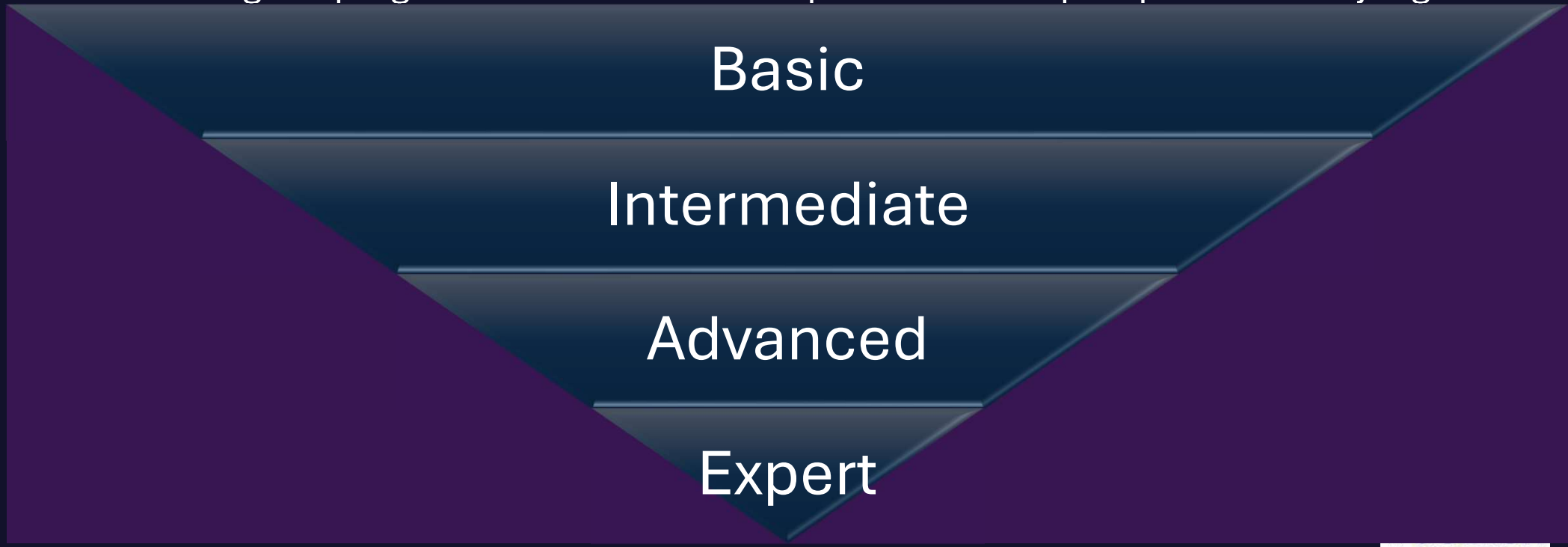
Documentation for gifts, inheritances, charitable contributions, and business receipts

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CPA Knowledge Levels:

From Basic Tax Returns to Complex Crypto Transactions

Understanding the progression from basic compliance to complex professional judgment



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Most Common Client Misconception

No Cash does not mean No Tax

"I never cashed out, so I do not owe tax."

A crypto-to-crypto exchange can be a taxable disposition even when no U.S. dollars are received.

Spending appreciated cryptocurrency can also trigger gain before considering the purchased item or service.

Forks & Airdrops

- A blockchain fork does not automatically mean taxable income if the taxpayer receives no new asset.
- Receipt of a new digital asset can create income when the taxpayer has dominion and control.
- Airdrops, promotional tokens, and similar distributions require fact-specific analysis.
- Document when the client could actually access and dispose of the asset.

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Stablecoins Are Not Tax-Free Dollars

- Stablecoins are digital assets even when designed to track the U.S. dollar or another reference asset.
- Exchanging another cryptocurrency for a stablecoin can still be a taxable disposition.
- Small economic gains or losses do not eliminate the reporting analysis.
- Do not let the word “stable” substitute for tax analysis.

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Part Four:
Crypto in Valuation, Divorce, & Forensic Accounting

Finding it, tracing it, valuing it.



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Question 7 of 10

Part Four: Crypto Forensics

In the hypothetical 2027 divorce case, John's Coinbase account is empty. What is the most appropriate next step?

A. Conclude that John owns no cryptocurrency.

B. Value his original 40 ETH as though he still owns all of it.

C. Treat every outgoing address as proof of John's ownership.

D. Trace later transactions and corroborate control of receiving wallets.

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3 Hot Topics in Crypto Forensics for CPAs

1. Hidden assets and wallet ownership
Link bank and exchange records to wallets. Corroborate ownership and control.

2. Cross-chain and stablecoin tracing
Follow swaps and bridges across networks. Separate transfers from disposals.

3. Investment scams and AI impersonation
Reconstruct actual losses and cash flows. Watch for fake recovery services.



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1. Hidden Assets: The Empty Exchange Account



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1. Hidden Assets: The Empty Exchange Account

Hypothetical divorce case, 2027: John has nothing left in his Coinbase account. In 2026, he purchased 40 ETH through Coinbase for $120,000.

The trail: In 2026, John moved 35 ETH to his MetaMask wallet and left 5 ETH at Coinbase. What happened next, and where are his assets in 2027?

The ownership link: Review John's wallet records and corroborate ownership and control through testimony. A destination address alone is a lead.

The task: Trace the later transactions and value any assets John still owns at the required date. An empty Coinbase account alone does not establish that he owns no crypto.



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Why Crypto is Attractive to a Hiding Spouse

Assets can be held outside traditional bank and brokerage accounts

Self-custody can eliminate a familiar financial institution from the paper trail

Multiple wallets and exchanges can make ownership harder to understand

Pseudonymity can create the appearance of anonymity—but blockchain activity often leaves a durable trail

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2. Cross-Chain Tracing: John’s USDC



2. Cross-Chain Tracing: John's USDC

Hypothetical follow-on, 2027: John's earlier Uniswap swap produced 60,000 USDC for 15 ETH. Assume he moves that USDC from Ethereum to Base, a separate blockchain network. Ignore fees.

The apparent gap: Ethereum shows John's USDC leaving through Circle's CCTP. The protocol burns it on Ethereum and mints USDC on Base.

The CPA's work: Match the cross-chain message to the Base receipt. Wallet records and testimony confirm John controls the receiving address.

The result: The CPA locates John's 60,000 USDC on Base and counts it once. His Coinbase account remains empty. Verify value and assess tax treatment separately.

3. Investment Scam: The “AI” Trading Club

Real case: In December 2025, the SEC charged Morocoin and others with an alleged investment scam involving at least $14 million.

The lure, per the SEC: Social media ads led investors to WhatsApp clubs. Supposed financial professionals offered “AI-generated” tips.

The trap, per the SEC: Investors funded purported crypto platforms and fictitious token offerings, then faced fraudulent withdrawal fees.

CPA takeaway: Reconstruct actual deposits and withdrawals from source records. Separate claimed profits from cash flows and assess tax losses separately. Case is still ongoing at the writing of this slide in October 2026.

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3. Crypto Scams: The $225.3 Million Civil Action

Real case: On June 18, 2025, DOJ announced a civil forfeiture complaint targeting more than $225.3 million in cryptocurrency.

The alleged scam: Victims believed they were making legitimate crypto investments. A laundering network dispersed funds across many wallets.

The investigation: The FBI and Secret Service used blockchain analysis and other evidence to trace funds. DOJ announced their seizure.

CPA takeaway: Document actual losses and link client transfers to the trail. Seizure, final forfeiture and repayment to victims are separate steps.

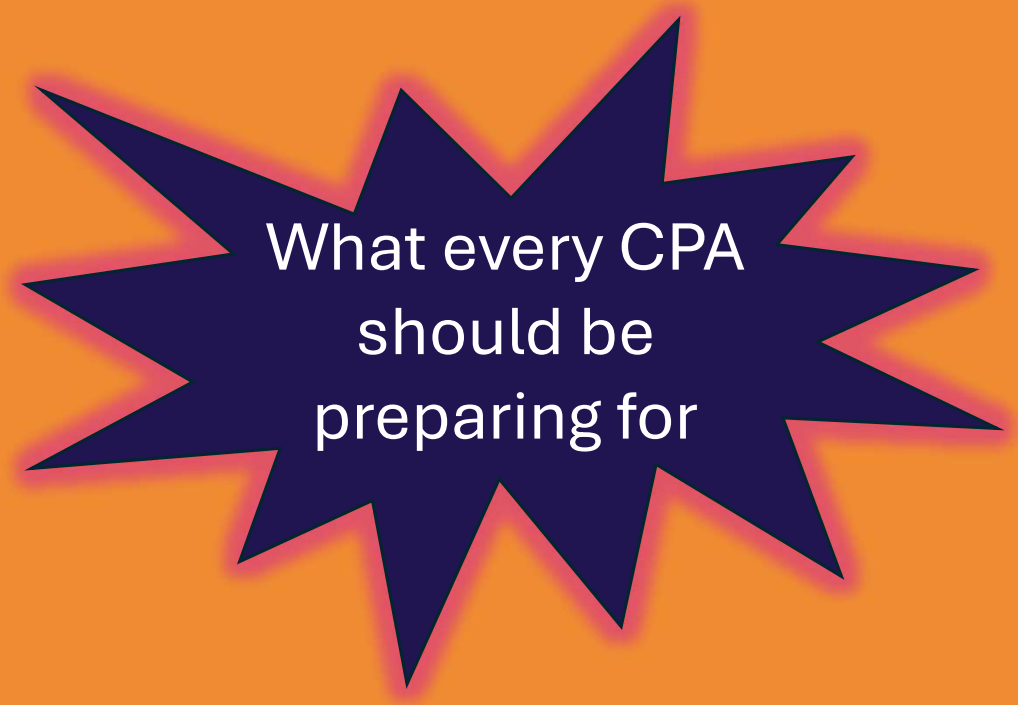
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Following the Blockchain Trail

- Start with known exchange accounts, bank transfers, emails, devices, and wallet addresses.
- Public blockchains can show transaction history between addresses.
- Tracing may identify clusters, transfers to exchanges, or movement through multiple wallets.
- Attribution—proving who controls an address—remains a separate evidentiary question.

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Part Five:
The Future of Cryptocurrency



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Question 9 of 10

Part Five: The Future

Which statement best describes the GENIUS Act's role in payment stablecoins?

A. It establishes an issuer framework, including reserves and redemption rules.

B. It created stablecoins, which could not exist before the Act.

C. It makes payment stablecoins equivalent to FDIC-insured bank deposits.

D. It exempts stablecoin transactions from federal tax reporting.

What CPAs Can Expect

1. More Crypto Regulation

2. More Everyday Use of Crypto and Stablecoins

More clients using digital assets for payments and business transactions.

3. KPMG's Outlook: Crypto in Mainstream Finance

Institutional adoption, stablecoin payments and tokenization create more work in digital-asset records, controls and reporting.

Trends to prepare for, rather than guaranteed predictions.

1. More Crypto Regulation

The CLARITY Act (H.R. 3633)

Proposed federal framework for digital-asset markets

Legislative status

House passed July 17, 2025. Senate amendments followed in 2026.
Still pending in the latest status source reviewed (October 4, 2026).

What it would change

Clarify SEC and CFTC responsibilities and establish rules for digital-asset intermediaries. Final provisions may change.

What CPAs should watch

Client asset classifications, platform oversight and implementation dates.
Continue applying current tax and reporting rules while legislation develops.

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1. Crypto Regulation

Subsection 1: Not all legislation makes it

December 30, 2024: Treasury/IRS publish the final DeFi broker rule, extending gross-proceeds reporting to certain DeFi front ends.

March 11 & 26, 2025: House and Senate pass H.J.Res.25. April 10, 2025: The President signs Public Law 119-5, nullifying the rule.

July 11, 2025: Treasury/IRS publish the formal revocation and remove the rule from the Code of Federal Regulations.

What remains: Custodial broker reporting continues. Taxpayers still must report taxable DeFi activity, even when no Form 1099 arrives.

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2. More Everyday Use of Crypto and Stablecoins

At checkout

PayPal's Pay with Crypto supports payment with crypto and conversion to stablecoins or traditional currency.

Behind the scenes

Visa launched USDC settlement for participating U.S. banks, with seven-day availability and no change to the consumer card experience.

What this means for CPAs

Ask what the customer paid and what the business received. Reconcile the sale, conversion, fees and settlement records.

Availability varies by provider and market. Broader adoption remains a trend, not a certainty.

Behind the Scenes: Which U.S. Banks?

Visa's U.S. USDC settlement program

Cross River Bank

Named as an initial participant in December 2025. Its collaboration with Highnote brings USDC settlement on Solana into card-payment operations.

Lead Bank

Also an initial participant. Visa's March 2026 update links Lead Bank and Bridge to onchain settlement for stablecoin-backed card transactions.

What changes behind the card swipe?

Banks can settle with Visa in USDC, including on weekends.
The consumer's card experience can stay the same.

Named participants in the cited announcements, not an exhaustive current bank roster.

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Cross River Bank

Banking infrastructure behind fintech payments

FDIC insurance covers eligible deposits, not crypto assets.

A bank with a technology focus

Founded in 2008 and headquartered in Fort Lee, New Jersey.
A New Jersey state-chartered, FDIC-insured bank.

What it does

Provides banking infrastructure that technology companies use to offer payments, cards and lending within their own products.

Its role in crypto payments

Works with Highnote in Visa's pilot to settle card-network activity in USDC on Solana, including seven-day settlement.

Stablecoins and the GENIUS Act

Signed July 18, 2025 Public Law 119-27

A legal framework for an existing technology

Stablecoins already existed. The Act creates a U.S. framework for payment stablecoin issuers, helping support broader use in payments and settlement.

What the framework requires

Approved issuers, at least 1:1 permitted reserves, and disclosed redemption procedures. Reserve reports undergo examination by registered public accounting firms.

Why it matters for CPAs

More focus on reserve evidence, redemption rights and issuer controls. Implementation rules and effective dates matter.

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Crypto Payments: The NC State Bar's View

2019 Formal Ethics Opinion 5, adopted October 25, 2019

Permitted with conditions

A lawyer may accept virtual currency as a flat fee for legal services. The fee must not be clearly excessive, and Rule 1.8(a) must be satisfied.

No entrusted virtual currency

A lawyer may not accept virtual currency to bill against or hold for the benefit of the lawyer, client or a third party.

Why this matters for CPAs serving law firms

Distinguish fee receipts from client property. The opinion treats virtual currency as property and governs lawyers' ethics, not CPA licensing or tax treatment.

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3. KPMG’s Outlook for Crypto

Themes from KPMG’s 2026 publications

More institutional adoption

Banks and payment firms moving from experiments into operating services.

More stablecoin use

Growing roles in payments, cross-border transfers and treasury operations.

More tokenization

Digital representations of deposits and assets becoming more important.

More regulation and consolidation

Clearer rules influencing investment, partnerships and acquisitions.

CPA takeaway: More work in records, controls, valuation and reporting.

Directional themes, not guaranteed outcomes or a crypto price forecast.

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What Every CPA Should Do Now

Crypto may be chaotic, your workpapers should not be

- Add digital-asset questions to organizers, interviews, and engagement workflows.
- Learn enough blockchain vocabulary to recognize when specialist help is needed.
- Strengthen documentation around basis, valuation, transfers, and third-party reports.
- Treat crypto as a recurring tax, valuation, and forensic issue—not a one-time technology trend.
- When the facts are messy: slow down, preserve the data, and follow the money.

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Part One Summary: CeFi and DeFi

Custody determines the starting point

CeFi platforms hold assets for clients. In self-custody DeFi, clients control keys and interact with protocols.

Records follow the assets

Collect exchange exports for CeFi and wallet histories for DeFi. Clients may use both, as John does.

Transactions drive the tax analysis

Sales, swaps and spending can create gains or losses. Rewards require separate income analysis.

CPA takeaway: Identify every account and wallet before assessing the work.

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Part Two Summary: Compliance

The Form 1040 question covers receipts and disposals

Ask about rewards, payments, sales and exchanges across every platform, even when no tax form arrives.

Cash is not required for a taxable event

John’s illustrative ETH swap creates a $15,000 gain. Maria’s Bitcoin purchases require sale-by-sale analysis.

Transfers and rewards need different treatment

A transfer between a client’s own wallets preserves basis. Staking rewards require timing and dollar-value records.

CPA takeaway: Resolve incomplete records and document the client’s answers.

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Part Three Summary: Form 1099-DA

The form covers only part of the activity

Covered broker sales can appear on Form 1099-DA. Direct DeFi activity and reward income require other records.

Proceeds alone do not establish gain

Verify cost basis and holding periods. A blank basis box does not establish zero basis.

Reconciliation remains the CPA's job

Connect exchange reports, wallet transfers and prior workpapers. Use reconciled proceeds and basis on the return.

CPA takeaway: Reconcile the full history before relying on the tax forms.

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Part Four Summary: Crypto Forensics

An empty exchange account leaves unanswered questions

John's Coinbase balance does not show his holdings elsewhere. Trace later transactions and corroborate wallet control.

Cross-chain tracing can reconnect the trail

Match transfers across networks, count assets once and value holdings at the required date.

Scam claims require independent evidence

Reconstruct actual deposits and withdrawals. Separate claimed profits, documented losses and potential recoveries.

CPA takeaway: Support ownership, value and loss conclusions with evidence.

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Part Five Summary: The Future

Regulation will require continued attention

Distinguish proposals from enacted law. The GENIUS Act adds a stablecoin framework, with implementation dates to watch.

Payments are expanding beyond trading

PayPal and Visa illustrate crypto checkout and stablecoin settlement. Reconcile what customers pay with what businesses receive.

KPMG sees broader institutional adoption

Its outlook emphasizes stablecoins, tokenization and consolidation. These are directional expectations, not guarantees.

CPA takeaway: Prepare for more digital-asset work in records and controls.

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Question 1 of 10

Part One: CeFi and DeFi

John uses MetaMask to access Aave and Uniswap. Who controls the keys to his self-custody wallet?

A. Coinbase, because John originally purchased ETH there.

B. John, who must protect access to his wallet.

C. Aave, because John supplies assets to its lending pool.

D. Uniswap, because John uses its exchange protocol.

Question 2 of 10

Part One: CeFi and DeFi

Maria holds PYUSD in PayPal. John uses USDC in DeFi. Which statement best describes these stablecoins?

A. Their dollar reference value makes them bank deposits.

B. Their tax treatment depends only on the platform holding them.

C. Their dollar reference value eliminates investment risk.

D. They target a reference value and can operate in CeFi or DeFi.

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Question 3 of 10

Part Two: Compliance and Reporting

John swaps 15 ETH with a $45,000 basis for 60,000 USDC worth $60,000. Ignoring fees, what is his gain?

A. $15,000, even though he receives no U.S. dollars.

B. $0, because he has not converted the USDC to cash.

C. $45,000, equal to the original basis of the ETH.

D. $60,000, equal to the full value of the USDC received.

Question 4 of 10

Part Two: Compliance and Reporting

A cash-method client receives ETH staking rewards but no information return. When does the client generally recognize reward income?

A. When the client later sells the ETH for dollars.

B. When the platform issues an information return.

C. When the client gains dominion and control of the rewards.

D. When the client transfers the rewards to another wallet.

Question 5 of 10

Part Three: Form 1099-DA

A client's Form 1099-DA reports sale proceeds, but Box 1g is blank. What should the CPA do next?

A. Treat all proceeds as gain because the form shows no basis.

B. Obtain purchase and transfer records to establish basis.

C. Use the asset's value on the transfer date as new basis.

D. Omit the sale until the broker reports a basis figure.

Question 6 of 10

Part Three: Form 1099-DA

A client provides Form 1099-DA for Coinbase sales and also used MetaMask, Aave and Uniswap. Which records are still needed?

A. Wallet and protocol history, reward records and supporting basis records.

B. Only the Coinbase tax form, because it consolidates all crypto activity.

C. Only bank deposits, because taxable gains require a cash withdrawal.

D. Only year-end wallet balances, because they establish annual income.

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Question 7 of 10

Part Four: Crypto Forensics

In the hypothetical 2027 divorce case, John's Coinbase account is empty. What is the most appropriate next step?

A. Conclude that John owns no cryptocurrency.

B. Value his original 40 ETH as though he still owns all of it.

C. Treat every outgoing address as proof of John's ownership.

D. Trace later transactions and corroborate control of receiving wallets.

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Question 8 of 10

Part Four: Crypto Forensics

In the hypothetical CCTP example, 60,000 USDC burns on Ethereum and a matching amount mints on Base. How should the CPA trace it?

A. Count both records as separate holdings totaling 120,000 USDC.

B. Treat the Ethereum burn alone as proof of a complete investment loss.

C. Match the cross-chain records, verify wallet control and count it once.

D. Stop at Ethereum because Base is a different blockchain network.

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Question 9 of 10

Part Five: The Future

Which statement best describes the GENIUS Act's role in payment stablecoins?

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Question 10 of 10

Part Five: The Future

Which expectation best reflects the KPMG outlook discussed in this presentation?

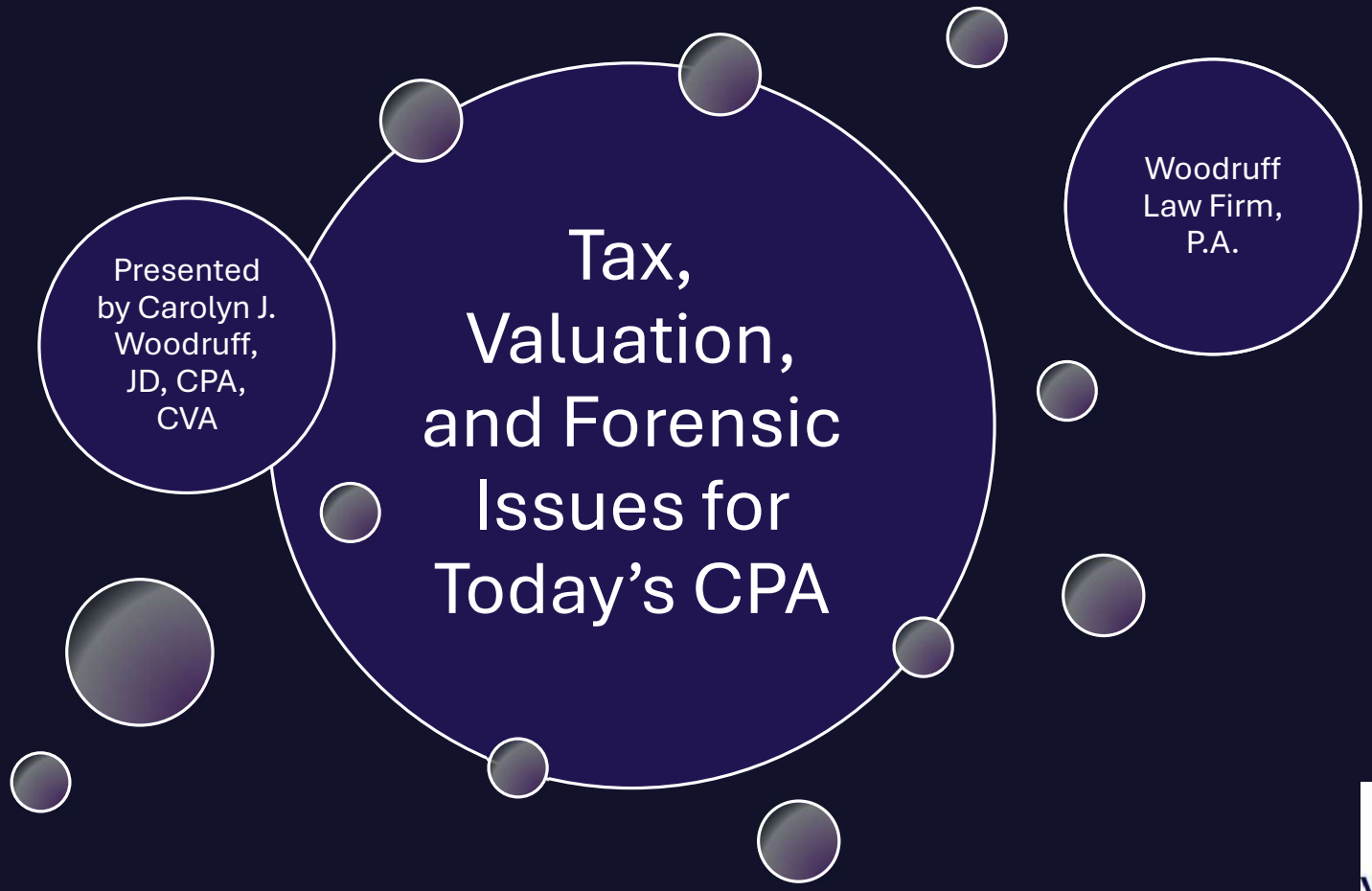
A. A guaranteed increase in cryptocurrency prices over the next year.

B. Broader institutional use of stablecoins and tokenization.

C. A retreat by banks from blockchain-based payment infrastructure.

D. Less need for digital-asset records as institutional use grows.

Crypto, Compliance & Chaos



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