

Congressman Max Miller Digital PARITY Act

Sponsors: Reps. Max Miller (R-OH) and Steven Horsford (D-NV)

Bill Summary: The Digital Asset PARITY Act brings the U.S. tax code into the 21st Century by providing tax clarity for digital assets. Digital assets are increasingly used for payments, investment, and innovation. To address confusion around taxation, the bill provides rules for stablecoins, trading, lending, staking and mining, charitable donations, and investment trusts.

Key Features:

- **A Consensus Approach to Innovation:** The PARITY Act is built on a foundation of shared, bipartisan priorities: protecting American consumers, ensuring market integrity, and securing U.S. technological leadership.
- **Meeting the Administration’s Call for Action:** This bill directly addresses the regulatory gaps identified in the President’s Working Group on Financial Markets report. By providing the statutory clarity the Treasury and the Administration have requested, this bill creates a unified American front in the global competition for financial technology.
- **Durable Tax Certainty:** By passing a bipartisan bill, we provide the private sector with a permanent “Rules of the Road,” giving U.S. companies the confidence to commit billions in long-term capital to domestic infrastructure.

Why now?

- **Stop the “Innovation Drain”:** We are currently exporting our best technology and capital to offshore hubs because our tax code is stuck in the 1990s. The PARITY Act is a US Competitiveness bill that ensures the next generation of the internet is built by American innovation.
- **IRS Accountability:** 2026 marks the beginning of aggressive new reporting requirements. Without this bill, the IRS will be flooded with billions of “junk” data points on stablecoin transactions that have zero tax value. This bill forces the IRS to focus on real economic activity rather than small-scale users.
- **Consistent with the President’s Working Group:** Even the Administration’s own experts have admitted that the current regulatory “gap” is a risk. This bill provides the legislative solution they asked for but does so in a way that prioritizes private-sector growth over government expansion.

Bill Section by Section

Section 1: Short Title

This section gives the bill its name: the Digital Asset Protection, Accountability, Regulation, Innovation, Taxation, and Yields Act, or the "PARITY Act" for short.

Section 2: Digital Dollars Used Like Cash (Deemed-Basis Rule)

The problem it solves

Today, if you use a digital dollar (called a stablecoin) to buy a coffee, the IRS technically requires you to calculate whether you made a profit on that transaction and report it. A stablecoin is supposed to always be worth exactly \$1.00—but if you bought it for \$0.999 and spent it, you've made \$0.001 of "gain." Tracking and reporting that is absurd.

What this section does

It treats regulated digital dollars like actual cash for tax purposes. If you use a dollar-pegged stablecoin to buy something, you do not have to track gains or losses on that transaction. It works just like spending a dollar from your wallet.

Who qualifies?

- The stablecoin must be issued by a company that follows strict federal rules (i.e., GENIUS Act).
- Issuer obligated to convert, redeem, or repurchase at a fixed USD amount
- You must have bought the stablecoin for within 1% of \$1.00.

Who does NOT qualify?

- Professional dealers and traders exclusion - this rule excludes professional dealers and traders, as their activity is already governed by mark-to-market that capture the micro-fluctuations and arbitrage profits inherent in their high-volume trading.

Why this matters:

This provision is a critical market-clarity measure designed to align U.S. tax policy with the technical reality of digital commerce, providing the tax certainty necessary following passage of the GENIUS Act.

Section 3: Encouraging U.S. Crypto Dominance (Safe Harbor)

The problem it solves

If a foreign investor buys stocks through a U.S. brokerage, there are clear rules that prevent them from accidentally being treated as running a U.S. business. Those rules don't cleanly apply to digital assets – creating uncertainty that pushes foreign trading away from U.S. platforms and toward foreign exchanges.

What this section does:

It extends existing safe harbor rules to digital assets. A foreign investor who trades digital assets through a U.S. platform is not treated as "doing business" in the U.S. just because of that trading. They still pay normal capital gains taxes—this just eliminates unintended tax burdens.

Why this matters:

Keeping global trading on U.S. platforms is good for the U.S. economy. U.S. exchanges are generally safer, more transparent, and better regulated. Uncertainty pushes trading overseas—this provision keeps it onshore.

Section 4: Crypto Lending (Expanding Section 1058)

The problem it solves

When companies lend stocks to someone (for example, for short-selling), it's not treated as a taxable "sale," they're just lending them temporarily and getting them back later. But if they lend crypto, the IRS might treat it as a sale, triggering a taxable event though there is no cash-out.

What this section does:

It extends existing stock-lending rules to crypto. If you lend an eligible digital asset and follow certain requirements, the lending is not a taxable event. Tax only applies when the underlying asset is eventually sold.

What qualifies as an "eligible digital asset"?

- Must be fungible (interchangeable – like dollars, where one BTC equals another BTC.)
- Must have a price that can be easily looked up on a public exchange.
- Cannot represent ownership in a company or give you debt/equity rights.
- Must function as a currency, store of value, or unit of account.

Section 5: Apply Wash Sale Rule to Digital Assets

The problem it solves

Under current law, you can sell your crypto at a loss, claim that loss on your taxes, immediately buy the same crypto back, and end up in exactly the same financial position—but now with a tax benefit. This is called "wash sale" abuse, and it's already illegal for stocks. Crypto is not cleanly in the wash sale rule

What this section does:

It extends wash sale rules to digital assets. If you sell crypto at a loss and buy it back within 30 days before or after the sale, you cannot use that loss to reduce your taxes. This is the same rule that applies to stocks.

Why does this matter?

This provision, Mark-to-market, and constructive sales are key provisions for creating parity between digital assets and traditional finance instruments. By spelling out clear redlines for sophisticated investors, we are creating more market assurance which could encourage industry growth. This is also good tax policy, which will close a loophole in the tax code and restore fairness with stock market rules.

Section 6: Mark-to-Market (MTM) for Crypto Dealers and Traders

The problem it solves

Professional securities dealers and active stock traders can elect a simplified accounting system called "mark-to-market," where they treat all their positions as if they sold them on December 31 each year. This gives them cleaner accounting. Crypto professionals don't have that same option.

What this section does

It lets professional crypto dealers and active traders elect into mark-to-market accounting. Under this election, all crypto positions are treated as sold at year-end, and gains or losses are recognized as ordinary income—just like securities dealers.

Who can use this?

- Dealers in “actively traded digital assets.”
- Active traders in “actively traded digital assets” who trade for their own account as a trade or business.

Section 7: Constructive Sales

The problem it solves

A constructive sale happens when someone uses financial tools – like short sales or futures – to “lock in” their profit on an asset without actually selling it. Economically, the transaction is finished because they no longer face any risk if the price drops, but they haven’t technically triggered a tax. These rules have applied for stocks for years to ensure tax consistency, but they don’t currently cover digital assets.

What this section does

It extends constructive sale rules to digital assets. If you use a financial arrangement to lock in your gains on appreciated crypto, that's treated as a taxable sale, just like it would be for stocks.

Section 8: Mining and Staking Rewards

The problem it solves

Under current law, rewards are generally taxed upon receipt which follows traditional income recognition principles but creates practical challenges related to liquidity, valuation, and inconsistent treatment across mining and staking models. Chief issue among this is paying taxes upon “phantom income” – where you owe taxes on money you haven’t actually converted to cash.

What this section does

By default, income is recognized upon receipt of the newly created digital asset. It gives taxpayers an election may defer income recognition for up to 5 taxable years until disposition. After the recognition of income, either immediately or within the 5-year window, further appreciation is taxed as long-term capital gain upon disposition.

Why this approach:

This approach preserves existing tax principles by avoiding wholesale shifts in realization-based taxation and reflects a consensus-driven path forward. This approach bridges deferral and disposition-based approaches and aligns with the most durable bipartisan position.

Section 9: Charitable Contribution

The problem it solves

When you donate stock to charity, there are different rules depending on whether it's a liquid, publicly traded stock (no appraisal needed) or an illiquid private asset (appraisal required). Crypto didn't fit neatly into either category, causing confusion. And illiquid crypto could be overvalued at the time of donation, letting donors take bigger deductions than the charity actually received.

What this section does (two-track approach):

Track 1 — Large, liquid crypto (like Bitcoin or Ethereum):

- No appraisal required—just like donating publicly traded stock.

- Asset must be fungible, have very high trading volume (\$50M daily), and the donor cannot own more than 5% of supply.

Track 2—Small, illiquid, or speculative crypto:

- Deduction is limited to what the charity actually receives when it sells the asset.
- Requires a written acknowledgment from the charity with details of the sale.
- Prevents inflated deductions where someone donates a speculative token worth \$100 on paper but the charity can only sell it for \$5.

Section 10: Tax Treatment of Certain Digital Asset Activities (UBTI Clarification)

The problem it solves

Institutional investors, such as pension funds and university endowments, must navigate specific regulations regarding Unrelated Business Taxable Income (UBTI) to maintain their tax-exempt status. Under current law, if these entities engage in activities deemed to be "active business" rather than "passive investment," they may be subject to additional taxation.

There has been significant ambiguity as to whether holding and staking digital assets qualifies as a passive investment or an active business trade. This lack of clarity has acted as a barrier to entry, as the risk of a UBTI reclassification creates a level of uncertainty that often discourages these institutions from participating in the digital asset market. Providing a clear definition ensures that these entities can engage with this asset class under a predictable tax framework.

What this section does

Preserves in statute a recent Treasury rule that states passive staking is not a trade or business. If you're holding crypto and participating in network validation (staking) with no significant business expenses, you don't accidentally become a business.

Who benefits?

- Pension funds and retirement accounts
- Endowments, foundations, and digital asset development foundations
- ETFs and investment trusts holding digital assets

What is 'passive staking'?

Staking by an entity that has no deductible business expenses related to the activity. Essentially, this provision ensures that if an institution stakes their assets passively – much like they would collect a dividend from an ETF or interest from a bond – they won't be taxed as if they are running a commercial business.

Section 11: Definitions

This section creates a uniform glossary of terms that applies across the entire tax code for digital assets. Having consistent, statutory definitions prevents courts and regulators from making inconsistent interpretations. Key terms defined include:

- Digital asset – any digital representation of value on a cryptographically secured distributed ledger.
- Digital asset exchange – a platform that holds or controls digital assets on behalf of users.

- Actively traded digital asset – fungible, with at least \$50 million in daily trading volume and \$10 billion in market cap over prior years.
- Eligible digital asset – fungible, liquid, and functions as a currency/store of value (not equity or debt in a company).
- Traded digital asset – similar to eligible digital asset, used for the safe harbor provision.
- Validation activity – staking, mining, or similar activities supporting network validation.

Section 12: Study on Consumer Relief, De Minimis

The problem it's designed to address

Many people want a simple rule that says: if you buy something small with crypto and it's a tiny transaction, you don't have to report it. This is called a "de minimis" exemption. This bill begins to address this issue through the deemed basis rule for regulated payment stablecoins (see Section 2).

There have been recent proposals that have explored broad de minimis exemptions for small digital asset transactions. However, while these proposals address legitimate concerns about reporting burdens, they also raised questions about potential revenue implications, administrability, and failed to win bipartisan consensus.

What this section does

- Directs Treasury to study the problem in depth and report to Congress within 1 year.
- Requires interim guidance within 180 days identifying areas where Treasury might already have authority to provide some relief.
- Sends a clear message from Congress that everyday consumers should not be buried in compliance burdens for small transactions.

Questions or interested in cosponsoring? Contact Nick Collins with Max Miller at nick.collins@mail.house.gov.