

February 26th, 2025

The Honorable Jason Smith
Chairman
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

RE: Support for Representative Carey’s Resolution of Disapproval (H.J. Res. 25) overturning IRS Rule: *Gross Proceeds Reporting by Brokers That Regularly Provide Services Effectuating Digital Asset Sales*

Dear Chairman Smith and Ranking Member Neal,

On behalf of the Crypto Council for Innovation, we strongly support the Congressional Review Act (CRA) resolution, H.J. Res. 25, introduced by Representative Carey to repeal the IRS’s Final Rule on DeFi Broker Reporting issued on December 27, 2024. This rule represents an overreach of regulatory authority, threatens financial privacy, and misinterprets the fundamental nature of decentralized finance (DeFi), putting American innovation at risk.

The final rule is a clear example of regulatory overreach that violates clear Congressional intent. The Infrastructure Investment and Jobs Act (2021) defined a “broker” as an entity that effectuates transfers of digital assets on behalf of another person. However, the Final Rule expands this definition far beyond congressional intent—and in an unprecedented manner that exceeds any common definition of brokering—sweeping in DeFi front-end providers that merely provide software tools to facilitate user-driven transactions. Unlike traditional brokers, DeFi platforms do not take custody of assets, execute trades, or maintain customer accounts—a clear distinction ignored by the IRS.

Members of Congress—including Representatives Delbene, Tenney, Panetta, Miller, Sánchez, Smucker, Malliotakis, and Feenstra—explicitly stated that the law was not meant to impose reporting obligations on those who do not function as brokers. The IRS’s decision to functionally redefine “broker” through regulatory rulemaking, rather than congressional action, exceeds the agency’s authority, is a clear violation of the Administrative Procedure Act (APA) and sets a dangerous precedent for agency overreach.

The Rule also presents serious Fourth Amendment and privacy concerns for Americans. The Rule’s reporting requirements would force an incredibly broad set of third parties to collect and transmit

private financial data to the government, raising serious Fourth Amendment concerns. Traditionally, financial institutions are subject to reporting obligations under the Bank Secrecy Act (BSA), but DeFi platforms are not financial intermediaries and have never been classified as such by Congress. The IRS attempts to impose BSA-like obligations without congressional approval sets a precedent for unauthorized government surveillance of private financial transactions.

The ultimate effect of this rule would be to eliminate Americans' access to all the benefits DeFi offers and chilling its further innovation here in the U.S. DeFi technology reduces reliance on centralized intermediaries, lowers transaction costs, and improves financial access for Americans. If realized, the Final Rule would drive DeFi innovation offshore, forcing U.S. developers and entrepreneurs to relocate to jurisdictions with clearer, more innovation-friendly regulations. This would weaken America's leadership in blockchain technology, ceding ground to foreign competitors—and would directly contravene the recent White House Executive Order on "Strengthening American Leadership in Digital Financial Technology."¹

In conclusion, the Final Rule must not be implemented as it undermines congressional intent, the IRS' statutory authority, threatens financial privacy, and stifles American innovation. We respectfully urge Congress to pass the CRA resolution to repeal this rule, ensuring that reporting obligations remain limited to entities that actually function as actual brokers—not software developers or decentralized protocols.

Thank you for your leadership on this issue. We look forward to working with you to craft clear and coherent policies that advance U.S. leadership in blockchain technology.

Respectfully,



Ji Hun Kim
President and Acting Chief Executive Officer
Crypto Council for Innovation

1

<https://www.whitehouse.gov/presidential-actions/2025/01/strengthening-american-leadership-in-digital-financial-technology/>.