

Catching Up With Recent Changes at the IRS

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That old adage about death and taxes deserves another look. Since 1913, the U.S. tax code has kept changing, and the Internal Revenue Service (IRS) issues updates every year that can affect you. Of course you can always rely on the experts here at SWC to keep you posted on recent changes.

Like what, you ask. Here's just three recent changes that have popped up on our radar screen that you'll want to know about:

- The rollout of the newly created Form 1099-DA, which expands reporting requirements for digital asset transactions
- Increased liability for employers who use third-party payers to process their payroll transactions
- The discontinuation paper check refunds to individual taxpayers



In this singlette, we highlight each change in turn, whom it is likely to impact, and how to navigate the new rules and procedures. The goal, of course, is to leave you well prepared for tax season 2026. Our next singlette will focus on additional changes you need to be aware before we meet with you during your 2025 Year-End Tax Projection meeting.

First up, there's going to be a new IRS form for reporting digital asset transactions.

New Form for Reporting Digital Asset Transactions

To formalize the reporting of digital-asset transactions and improve compliance, the IRS has developed a new Form 1099-DA. According to the IRS, a digital asset is any computerized representation of value recorded on a cryptographically secured distributed ledger like the blockchain or any similar technology. Digital assets include the following:

- Cryptocurrencies, such as Bitcoin, Ethereum, Solana, Dogecoin, and others that can be used as payment or held as investments
- Stablecoins, such as Tether, USDC, Dai, Ethena USDe, and others that are digital tokens attached to the value of fiat currencies
- Non-fungible tokens (NFTs), such as Render, Immutable, FLOKI, and GALA, all of which are unique digital certificates of ownership tied to digital art, collectibles, or games
- Tokenized assets that represent ownership in real-world assets, such as real estate shares or commodities

As a taxpayer, here's what you need to know about digital assets:

- Selling, exchanging, or spending digital assets can trigger capital gains or losses (profit earned on the sale of an asset, or the loss you incur when a capital asset decreases in value and is sold at a loss).
- Digital assets received as payment for goods and services counts as ordinary income.
- Starting in 2026, brokers must report acquisitions and sales of digital assets for calendar year 2025 transactions, as well as proceeds from such transactions, using Form 1099-DAs.
- Brokers may but are not required to provide the acquisition date and cost basis of digital assets acquired on or before Dec. 31, leaving it up to you and your tax advisor to gather this cost basis information.
- If you receive an IRS Form 1099-DA, answer "yes" to the digital asset question on Form 1040 that asks whether you received, sold, exchanged, or otherwise disposed of a digital asset. A similar question may appear on other tax forms, as well, including IRS Form 709 United States Gift (and Generation-Skipping Transfer) Tax Return; IRS Form 1041, U.S. Income Tax Return for Estates and Trusts; IRS Form 1065, U.S. Return of Partnership Income; IRS Form 1120, U.S. Corporation Income Tax Return; and IRS Form 1120-S, U.S. Income Tax Return for an S Corporation.

Note: For now, what's most important is that you gather basis information (the original value of an asset for tax purposes) about any digital assets you currently own or acquire thereafter, including the date you acquired each asset and your cost basis (purchase price, commissions, and fees) in each asset.

The form or schedule you must file to report digital asset transactions varies depending on several factors:

- Generally, individual taxpayers must report digital asset sales and exchanges on IRS Form 8949, Sales and Other Dispositions of Capital Assets, and flow the information to Schedule D (or to Schedule C, if you are in the business of buying or selling digital assets).
- If the digital assets constitute income from blockchain activities, such as mining crypto, you must report relevant transactions on Schedule 1 and flow the information to IRS Form 1040.
- When the fair market value of a digital asset gift to any one recipient is above the 2025 annual exclusion (\$19,000), you must file IRS Form 709.
- If you receive digital assets as compensation for employment, report the income as you would report other wages on IRS Form 1040.
- If you receive digital assets as compensation for your services as an independent contractor, you generally report the income on IRS Form 1040, Schedule C.
- For a complete IRS-issued digital asset reporting guidance, visit the [IRS' Digital Asset page](#).

Changes in Employer Liability for Third-Party Payroll Processors

If you own or operate a business that outsources payroll to a third-party provider such as ADP, Paychex, Gusto, and Paycor, be aware that your business could be held liable if your payroll provider fails to make the required payroll tax withholdings to the IRS. Here's what you need to know:

- Generally, you, as employer, are liable for any taxes and penalties due if your payroll service provider fails to make required payments.
- You may enter into a service contract with an [IRS certified professional employer organization](#) (CPEO) and have the CPEO take over some or all of your federal employment tax responsibilities and obligations. However, you still could be liable for certain non-worksite employees' withholding. You can find a list of certified, suspended, and revoked CPEOs at the link above.

If you use a non-certified professional employer organization (a PEO) instead of a CPEO,

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your business is liable if the PEO doesn't turn over payroll taxes to the federal government. The IRS can assess a Trust Fund Recovery Penalty, which is equal to 100 percent of the unpaid payroll taxes, on what it deems is any "responsible person" who willfully fails to pay them.

A "responsible person" can be either of the following:

- A business owner, officer, or anyone with authority over financial decisions
- Someone who signs checks, manages payroll, or controls payments

Even using personal funds to cover payroll while taxes go unpaid can count as "willful" behavior, according to the IRS.

Penalties may be waived only if the failure was not willful and was due to reasonable cause, meaning the company acted with ordinary business care (as a reasonably prudent business would) but couldn't comply despite efforts to do so.

As an employer, you can take certain steps to protect yourself. The IRS recommends taking the following precautions:

- Enroll in the [Electronic Federal Tax Payment System](#) (EFTPS) to monitor tax deposits directly.
- Keep your business mailing address as your own, not that of the payroll services, so you receive any notices from the IRS.
- Report issues with payroll providers using IRS Form 14157, Complaint: Tax Return Preparer.
- Respond promptly to any IRS letters about payroll tax problems.

Good News: The good news here is that if you are working with one of the large reputable firms like ADP or Paychex, those companies have a strong focus on IRS compliance, including employing compliance offers whose job it is to make sure the company is aware of and in compliance with all of the latest rule changes and regulations.

Discontinuation of Paper Tax Refund Checks

Starting Sept. 30, 2025, the IRS began phasing out the issuance of paper tax refund checks to individual taxpayers. This is the first step in implementing Executive Order 14274, "[Restoring Common Sense to Federal Office Space Management](#)," which also mandates that all payments to the federal government be made electronically "as soon as practicable."

If you're not able to receive payments via direct deposit to a bank account, you may be able to request payment in the form of a prepaid debit card or a deposit to a digital wallet, but as

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of yet, no additional guidance has been provided on how these or other alternative payment options may be requested or will be implemented.

Until further notice from the IRS, we here at SWC recommend that you continue making payments, such as quarterly estimated income tax payments, to the U.S. Treasury as you have been doing. If you are still submitting estimated payments using paper checks, you would be wise to transition, as soon as possible, to making these payments electronically.

The IRS says more guidance and information for filing 2025 taxes will become available before the 2026 federal tax filing season gets underway.

When it comes to income taxes, one thing is certain: As soon as you are familiar with current tax policies and procedures, they will change. The good news is that nobody – not even the IRS – expects the average taxpayer to keep abreast of the changes. That's our job as trusted tax professionals.

Here at SWC, we help you stay current with the ever-changing tax code, and we make sure you're prepared to capitalize on opportunities hidden in the tax code that can minimize your tax burden and increase your net worth. If you're not a client, and when you're ready to start saving on taxes and building long-term wealth, [contact us to set up an initial consultation](#).

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