Bit Bookkeeper

PRACTICAL GUIDE | BROKER REPORTING

What Form 1099-DA Reports - and How to Reconcile It

What Form 1099-DA reports, why cost basis may be missing, and how to reconcile broker proceeds with wallet, exchange, transfer, and account-level basis records.

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August 21, 2026

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HOW TO USE THIS GUIDE

Use this guide as a planning and preparation framework. Adapt each item to the organization, period, materiality, and professional requirements involved.

SECTION 01

Know what changed between 2025 and 2026

Form 1099-DA reports sales or dispositions effected by a reporting broker. It is a starting point for review, not a conclusion about taxable income.

- [ ] For sales and dispositions effected during 2025, reporting generally focused on gross proceeds; brokers were not required to report cost basis for those transactions.
- [ ] For sales after 2025, brokers generally must report basis for covered digital assets. Assets acquired before 2026, transferred into the broker, or acquired outside that broker's custody are generally noncovered and may still appear without basis.
- [ ] Optional reporting methods for qualifying stablecoins and specified NFTs can also affect which details appear. Review the boxes and indicators on the actual form instead of assuming every broker reports the same fields.
- [ ] Activity not effected by a reporting broker - including many purely self-custodied or direct peer-to-peer transactions - may not generate Form 1099-DA; the absence of a form does not remove a reporting obligation.
- [ ] If a form should not have been issued or contains incorrect information, request a correction from the issuer. The IRS and Bit Bookkeeper cannot correct a form issued by the broker.
- [ ] Preserve the original form and any corrected version issued later, together with the date each was received.

SECTION 02

Reconcile each form against your transaction history

- ☐ Confirm the recipient name and taxpayer identification information, account identifier, and entity or taxpayer associated with each form before matching transactions.
- ☐ Match reported dispositions to your own ledger by date, asset, and quantity before comparing dollar amounts.
- ☐ Investigate differences created by fees, spreads, internal transfers, and timing or time-zone conventions.
- ☐ Keep staking transactions, reward receipts, and later reward dispositions in separate schedules. Receiving a reward is a different recordkeeping event from a later sale or disposition that a broker may report on Form 1099-DA.
- ☐ Separate movements between accounts you control from genuine dispositions; a transfer that appears on a broker report is not automatically a sale.
- ☐ Document each reconciling item, its explanation, and the evidence supporting it rather than adjusting figures silently.
- ☐ Escalate unexplained differences to the responsible professional before the return is prepared, not after a notice arrives.

SECTION 03

Prepare the Form 8949 and Schedule D handoff

Reconciliation should leave the return preparer with a traceable bridge from the broker form to the digital asset reporting used on the return.

- [ ] For 2025 returns, the Form 8949 instructions separate short-term digital asset transactions into boxes G, H, and I and long-term transactions into boxes J, K, and L, based in part on whether Form 1099-DA or Form 1099-B was received and whether basis was reported to the IRS.
- [ ] Provide a schedule that ties the proceeds shown on each Form 1099-DA to the matched disposition records, supported basis, holding period, and any documented adjustment or unresolved difference.
- [ ] Separate dispositions that were not reported on Form 1099-DA from broker-reported transactions so the preparer can apply the appropriate category and review requirements.
- [ ] Keep the broker form, transaction-level tie-out, basis support, and exception log together; a total that agrees without a traceable record path is not a complete reconciliation.
- [ ] Have the engaged tax professional determine the final Form 8949, Schedule D, adjustment-code, and return presentation based on the facts and current instructions.

SECTION 04

Support basis at the account level

Basis records are the part of the file most often missing, and the part a reviewer cannot reconstruct from a broker form alone.

- [ ] Maintain acquisition records per wallet and per account rather than pooling all units into a single universal balance.
- [ ] Retain the acquisition date, quantity, cost, fees, and source for each lot, including assets received as income, rewards, or compensation.
- [ ] Record how units were identified at the time of disposition and keep contemporaneous support. For qualifying broker-custodied units sold during 2026, Notice 2026-20 may permit identification in the taxpayer's books no later than the transaction date and time, or through a standing order recorded before the transaction.
- [ ] Track any allocation of previously unused basis across accounts, the method used, and the records that supported it.
- [ ] Flag lots with missing or uncertain basis as open items instead of substituting an estimate.

SECTION 05

Prepare the review package

- [ ] Assemble every broker form, complete transaction exports, wallet and account inventories, and basis schedules for the period.
- [ ] Provide a reconciliation summary that ties reported proceeds to your records and explains each difference.
- [ ] List open questions, missing records, and transactions whose treatment depends on facts only your team can confirm.
- [ ] Confirm the reporting rules that apply to the specific tax year with a qualified professional, since broker reporting requirements have phased in over several years.
- [ ] Archive the final package, including the version of each export used, so the position can be explained later.

SECTION 06

Primary references

- [ ] IRS: Understanding your Form 1099-DA
- [ ] IRS Instructions for Form 1099-DA (2025)
- [ ] IRS Instructions for Form 1099-DA (2026)
- [ ] IRS Instructions for Form 8949 (2025)
- [ ] IRS digital asset transaction FAQs
- [ ] IRS Notice 2026-20

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