

CLARITY Bill & GENIUS Act Explained: Crypto Classification and Tax Impact

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Recent legislative proposals—the CLARITY Bill and the GENIUS Act—are designed to bring more clarity to how digital assets are regulated in the United States. The Clarity Bill was passed by the House of Representatives on July 17, 2025, and is now being reviewed by the Senate. The CLARITY Bill addresses market structure issues and outlines a method for determining whether a digital asset should be classified as a security or a commodity, based primarily on how decentralized the asset is. It also assigns regulatory oversight to both the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC). Meanwhile, the GENIUS Act was signed into law by President Trump on July 18, 2025, and focuses on stablecoins, requiring U.S. issuers to maintain full asset backing (1:1), submit monthly financial reports, and comply with strict audit and disclosure standards. Among other provisions, the GENIUS Act explicitly subjects stablecoin issuers to the Bank Secrecy Act, thus providing an additional layer of rigor to the compliance regime applicable to stablecoins.

CRYPTO STILL TAXED AS PROPERTY

Despite congressional efforts to define digital assets more clearly for regulatory purposes, neither bill directly affects how the Internal Revenue Service (IRS) treats cryptocurrency for tax purposes. According to IRS guidance first issued in 2014 ([Notice 2014-21](#)), cryptocurrency is treated as property for federal tax purposes. This means that when someone sells or trades crypto, they must report any capital gains or losses, and timely take into account the appropriate tax consequences. If the asset was held for one year or less, the gain or loss is short-term; if held for more than a year, it is long-term. With limited exceptions, this classification excludes cryptocurrency from certain tax rules that apply to securities, such as the wash sale rule, as well as excluding cryptocurrency from the special tax treatment available to certain commodities under Section 1256 of the Internal Revenue Code.

KEY TAKEAWAY FOR INVESTORS AND ISSUERS

Investors and issuers should be mindful that even if a digital asset is regulated as a security or commodity under federal law, it will continue to be taxed as property unless and until the IRS issues new guidance or Congress enacts legislation to the contrary.

For further guidance on how these developments may affect your digital asset holdings please contact our office.

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