EC

Empower Capital
TAX ADVISORS

The 2026 Crypto Tax Preparation Checklist

Everything to gather, decide, and double-check — before you file.

- The full document list — exchanges, wallets, 1099-DA, basis records
- Twelve transaction types that must each be classified correctly
- Cost-basis decisions under the current per-wallet rules
- Red flags that usually mean amended returns (and refunds)

STEP 1 · SCOPE YOUR YEAR

Inventory everywhere your crypto lived.

Most crypto tax errors start with a wallet or account that never made it into the file. Before gathering documents, list every place a digital asset was held, traded, or earned during the year — even briefly, even if it went to zero.

- [ ] **Centralized exchanges**
  Coinbase, Kraken, Gemini, Binance.US, Robinhood, Crypto.com — including accounts you closed mid-year.
- [ ] **Self-custody wallets**
  Hardware and software wallets. List every public address you controlled, by chain.
- [ ] **DeFi protocols**
  DEXs, lending markets, liquidity pools, staking platforms, bridges, yield vaults.
- [ ] **NFT marketplaces**
  Anywhere you minted, bought, sold, or earned royalties.
- [ ] **Payment and earning apps**
  PayPal, Cash App, Venmo crypto; play-to-earn; employer or client payments received in crypto.
- [ ] **Prior-year carryovers**
  Capital-loss carryforwards and holdings whose basis was established in earlier years.

STEP 2 · GATHER THE DOCUMENTS

The records that make or break the return.

- [ ] **Form 1099-DA from every broker**
  New for 2026 filing. Brokers report gross proceeds — and often basis is missing or wrong. Reconcile, don't transcribe.
- [ ] **Full transaction-history CSVs**
  Export from each exchange — not just the tax summary. Complete history, all years available.
- [ ] **Wallet addresses for on-chain activity**
  Public addresses or xpubs per chain, so activity can be independently reconciled.
- [ ] **Forms 1099-MISC / 1099-B / 1099-K**
  Staking rewards and misc income often arrive on 1099-MISC; derivatives platforms may issue 1099-B.
- [ ] **Prior-year Form 8949 and basis workpapers**
  Your reported basis history determines this year's gain. Missing workpapers are recoverable — but flag it now.
- [ ] **Records of gifts, donations, inheritances, and losses**
  Dates, fair market values, and any exchange collapse or theft documentation (FTX-style recoveries included).

STEP 3 · CLASSIFY EVERY TRANSACTION TYPE

Twelve categories, each with different treatment.

Tax software can ingest transactions; it cannot decide what they are. Every category below has a distinct treatment — and misclassification in any one of them changes the return.

- ☐ **Sales for fiat**
  Capital gain or loss against basis. Short- vs. long-term by holding period.
- ☐ **Crypto-to-crypto swaps**
  Each swap is a taxable disposition under IRC §1001 — even if you never touched dollars.
- ☐ **Staking rewards**
  Ordinary income at fair market value on receipt (Rev. Rul. 2023-14); FMV becomes your basis.
- ☐ **Mining income**
  Ordinary income on receipt; possibly self-employment income with deductible expenses if run as a business.
- ☐ **Airdrops and hard forks**
  Ordinary income when you gain dominion and control (Rev. Rul. 2019-24).
- ☐ **Liquidity-pool entries and exits**
  LP token mechanics require a position; entering, exiting, and impermanent loss each need documented treatment.
- ☐ **Bridging and wrapping**
  Position-dependent. Whether wBTC-style wraps are dispositions must be documented, not assumed.
- ☐ **NFT mints, trades, and royalties**
  Creator royalties are ordinary income; collector trades are property dispositions; collectibles rates can apply.
- ☐ **Lending and yield**
  Interest-style ordinary income on receipt; platform-token rewards valued at receipt.
- ☐ **Payments received for goods or services**
  Ordinary income (or wages/SE income) at FMV — plus a second taxable event when you later dispose of it.
- ☐ **Gifts given and received**
  Gifts aren't income to the recipient, but carryover basis and gift-tax filing thresholds apply.
- ☐ **Lost, stolen, or bankrupt-exchange assets**
  Treatment varies sharply — theft-loss rules, worthlessness, and bankruptcy recoveries each differ. Get this one reviewed.

STEP 4 · MAKE THE COST-BASIS DECISIONS

Basis method is a decision, not a default.

- ☐ **Confirm per-wallet basis tracking**
  Under the current rules, basis is tracked per wallet/account — the old universal-pool approach no longer works going forward.
- ☐ **Choose your identification method deliberately**
  Specific identification (including HIFO ordering) vs. FIFO can swing the bill by thousands. Model both before filing.
- ☐ **Document the method in writing**
  Specific ID requires contemporaneous documentation. A workpaper dated at filing beats an argument dated at audit.
- ☐ **Reconcile 1099-DA basis against your records**
  Broker-reported basis is frequently missing for transferred-in assets. Your records control — if you have them.
- ☐ **Position year-end loss harvesting**
  Crypto remains outside the §1091 wash-sale rule as of this writing — a planning window that may close.

STEP 5 · CHECK THE RED FLAGS

Any of these usually means an amended return — often a refund.

- ☐ **You filed prior years using exchange-default basis**
  Exchange defaults routinely overstate gains for assets transferred between platforms.
- ☐ **Basis was missing on a prior 1099-B or 1099-DA**
  The IRS sees proceeds without basis and assumes it's all gain. A CP2000 may already be in the pipeline.
- ☐ **Staking or airdrop income was never reported**
  Small amounts compound across years; catching it before the IRS does changes the penalty posture.
- ☐ **You used multiple tax tools across years**
  Koinly one year, CoinLedger the next — basis rarely survives the migration intact.
- ☐ **DeFi activity was labeled 'miscellaneous income'**
  Bulk-categorized DeFi is the most common source of overstated income we see.
- ☐ **You answered the digital-asset question inconsistently**
  The Form 1040 digital-asset question is checked against exchange records. Inconsistency invites letters.

STEP 6 · KNOW WHEN TO BRING IN A PROFESSIONAL

Do it yourself when it's simple. Don't when it isn't.

One exchange, a handful of trades, clean 1099-DA with basis reported — good software and patience will get you a correct return. But bring in a credentialed professional when any of the following is true:

- ☐ Multiple exchanges or self-custody wallets that don't reconcile cleanly
- ☐ Any DeFi, LP, bridging, or NFT activity beyond simple trades
- ☐ Prior-year returns you suspect are wrong (or unfiled)
- ☐ An IRS notice — CP2000, 6174, 6173, or an audit letter — has already arrived
- ☐ Six figures or more of crypto activity in any single year
- ☐ You're also dealing with equity comp, a business entity, or multi-state issues in the same return

Want this handled — and defensible?

Empower Capital prepares crypto returns with full on-chain reconciliation, written workpapers citing IRS authority, and Form 8949 detail that survives scrutiny. Every engagement is fixed-fee, scoped on a free 15-minute discovery call.

Book a discovery call: empowercapital.co/book
The full crypto tax guide: empowercapital.co/resources/crypto-tax-guide
YouTube: @empowercapital — 320K+ subscribers

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