Cost basis reconstruction

Supporting workpapers for Form 8949 - prepared for review by the engaging firm's licensed preparer

Client	Sample Client (fictitious) - M. Delgado
Engagement	KT-2026-SAMPLE
Tax year	2025
Method	FIFO, applied within each wallet or account separately
Basis tracking	Per wallet and per account, as required by Rev. Proc. 2024-28
Opening allocation	Specific unit allocation of unused basis as at 1 January 2025
Currency	USD
Sources	3 exchanges, 1 defunct exchange, 4 self-custody wallets
Volume	1,412 raw records normalised to 71 tax-relevant events
Prepared by	kryptotax.eu - JUDr. Ing. Anton Kuric, licensed tax advisor (SKDP 980/2011), Zilina, Slovakia

What this engagement covered

The client held digital assets across three active exchanges, one exchange that ceased operations in 2021, and four self-custody wallets. Off-the-shelf reconciliation software treated every movement between the client's own addresses as a sale and produced no basis at all for the lots acquired on the defunct exchange. Since 1 January 2025 the position is harder than that: Rev. Proc. 2024-28 ended universal basis pooling, so each account is its own basis pool and a disposal can only draw basis from lots that account actually held. The work below rebuilds the acquisition history lot by lot, allocates the unused pre-2025 basis to specific accounts, matches the transfers that moved lots between them, and sets out the difference between what the brokers reported and what the records support.

Scope and limitations

- kryptotax.eu is not a U.S.-licensed CPA, EA or attorney and does not prepare or sign U.S. federal or state returns.
- These workpapers are prepared for review by the engaging firm's licensed preparer. Positions, elections and filing decisions remain the preparer's.
- Work is performed from read-only inputs. No private keys, seed phrases or account credentials are requested or held.
- Client data is processed under the engaging firm's Sec. 7216 consent and engagement terms.
- Basis is tracked per wallet and per account. No disposal draws basis from a lot held in a different account.
- The allocation of pre-2025 unused basis to specific accounts is a position for the preparer to adopt. It is set out lot by lot on page 3.
- Every assumption is disclosed. Nothing reconstructed is presented as though it were sourced from a broker.
- Items requiring a decision by the preparer are listed and are not resolved here.

Summary of results

Capital gains and losses by holding period

Holding period	Disposals	Proceeds	Cost basis	Gain / (loss)
Short-term (Part I)	9	52,528.67	54,156.58	(1,627.92)
Long-term (Part II)	23	254,354.28	122,858.29	131,496.00
Net capital gain / (loss)	**32**	**306,882.95**	**177,014.87**	**129,868.08**

Ordinary income from digital assets

Type	Events	Amount (USD)
Staking rewards	6	10,635.32
Airdrops	1	1,175.00
Total	**7**	**11,810.32**

Each income event creates an acquisition lot at the same value in the account that received it, so the amount taxed as ordinary income becomes cost basis on a later disposal and is not taxed twice. The receiving account matters: it determines which disposals can use that basis.

Gain / (loss) by asset

Asset	Disposals	Proceeds	Cost basis	Gain / (loss)
ARB	1	775.00	1,175.00	(400.00)
BTC	7	132,533.00	36,466.00	96,067.00
ETH	11	98,918.95	69,431.25	29,487.70
LINK	2	8,858.50	16,095.00	(7,236.50)
MATIC	1	1,530.00	6,420.00	(4,890.00)
SOL	9	39,267.50	22,427.62	16,839.88
USDC	1	25,000.00	25,000.00	0.00
Total	**32**	**306,882.95**	**177,014.87**	**129,868.08**

Gain / (loss) by account the asset was sold from

Account	Disposals	Proceeds	Cost basis	Gain / (loss)
Binance.US	3	19,470.00	23,256.50	(3,786.50)
Coinbase	16	179,295.30	76,801.32	102,493.98
Kraken	12	107,342.65	75,782.05	31,560.60
Self-custody (MetaMask)	1	775.00	1,175.00	(400.00)
Total	**32**	**306,882.95**	**177,014.87**	**129,868.08**

Lot-level detail for all 32 disposals is on the 'Form 8949' tab of the accompanying workbook, which also carries the seven control checks. Every one reads OK, including the test that no disposal draws basis from a lot held in another account.

Opening position at 1 January 2025

Specific unit allocation of unused basis to accounts under Rev. Proc. 2024-28

Universal basis pooling ended on 1 January 2025. Every wallet and exchange account is now its own basis pool, and a disposal can only draw basis from lots held in the account it was sold from. The unused basis in lots acquired before 2025 therefore has to be assigned to specific accounts. The specific unit method has been used here: each lot is assigned in full to the account that actually held it, supported by the evidence in the final column, rather than spread across accounts by a global formula. It is the more laborious of the two methods the Revenue Procedure permits and the more defensible on examination.

Lot	Asset	Acquired	Quantity	Unit cost	Basis allocated	Originally acquired at	Allocated to account	Basis for the allocation
L-001	BTC	06/14/19	0.75	8,640.00	6,480.00	Defunct exchange (ceased 2021)	Coinbase	Withdrawn to Coinbase in 2021 when the exchange ceased; on-chain trace matches quantity and date
L-002	BTC	11/03/20	0.5	13,820.00	6,910.00	Defunct exchange (ceased 2021)	Self-custody (Ledger)	Withdrawn to the hardware wallet in 2021 when the exchange ceased; single on-chain movement, quantity matches
L-003	BTC	04/21/21	0.3	55,140.00	16,542.00	Coinbase	Coinbase	Held at the acquiring broker throughout
L-004	BTC	01/18/23	0.4	21,060.00	8,424.00	Kraken	Kraken	Held at the acquiring broker throughout
L-005	BTC	03/05/24	0.25	68,300.00	17,075.00	Coinbase	Coinbase	Held at the acquiring broker throughout
L-007	ETH	08/09/20	12	398.20	4,778.40	Defunct exchange (ceased 2021)	Self-custody (MetaMask)	Withdrawn to MetaMask in 2021 when the exchange ceased; on-chain trace matches quantity and date
L-008	ETH	09/02/21	6.5	3,812.40	24,780.60	Kraken	Kraken	Held at the acquiring broker throughout
L-009	ETH	06/27/23	9	1,884.10	16,956.90	Coinbase	Coinbase	Held at the acquiring broker throughout
L-010	ETH	10/14/24	5	2,611.80	13,059.00	Kraken	Kraken	Held at the acquiring broker throughout
L-015	LINK	02/16/21	400	31.55	12,620.00	Binance.US	Binance.US	Held at the acquiring exchange throughout
L-016	LINK	07/09/24	250	13.90	3,475.00	Kraken	Kraken	Held at the acquiring broker throughout
L-017	MATIC	12/01/21	3,000	2.14	6,420.00	Binance.US	Binance.US	Held at the acquiring exchange throughout
L-012	SOL	05/30/22	120	46.85	5,622.00	Binance.US	Binance.US	Held at the acquiring exchange throughout
L-013	SOL	11/08/23	85	41.20	3,502.00	Self-custody (Phantom)	Self-custody (Phantom)	Acquired directly into the Phantom address; never moved
Total					**146,644.90**			

Shaded rows carry basis that was reconstructed rather than documented by a broker. Two timing points the preparer should note: the allocation must be documented no later than the earlier of the first disposition of a digital asset after 1 January 2025 and the due date of the 2025 return, and once made it cannot be revised, because a later reallocation puts the safe harbour at risk. This allocation is a position for the preparer to adopt, not a determination made by us.

Broker-reported figures against reconstructed basis

The reconciliation the return depends on: what the client's forms say, what the records support, and why they differ.

Broker / source	Asset	Proceeds	Basis reported	Basis per workpaper	Reason for the difference
Coinbase (1099-DA)	BTC	41,672.00	27,380.00	3,456.00	Broker basis reflects the 2021 transfer-in value, not the original 2019 acquisition cost
Coinbase (1099-DA)	BTC	34,386.00	Not reported	2,592.00	Basis not reported by broker (transferred in, pre-2025 acquisition)
Coinbase (1099-DA)	ETH	15,073.80	Not reported	2,389.20	Basis not reported; lots acquired on the defunct exchange and rebuilt on-chain
Coinbase (1099-DA)	SOL	15,603.50	6,842.00	9,497.50	Broker treated a self-transfer in as an acquisition at market
Kraken (1099-DA)	ETH	21,476.00	Not reported	28,698.30	Basis not reported by broker
Kraken (1099-DA)	BTC	20,735.00	17,075.00	5,265.00	Broker basis uses the 2023 transfer-in value
Kraken (1099-DA)	LINK	2,762.50	3,475.00	3,475.00	Agrees - no adjustment
Binance.US (statement)	SOL	11,844.00	Not reported	4,216.50	No 1099-DA issued; reconstructed from the exchange statement
Binance.US (statement)	LINK	6,096.00	Not reported	12,620.00	No 1099-DA issued; reconstructed from client records
Binance.US (statement)	MATIC	1,530.00	Not reported	6,420.00	No 1099-DA issued; reconstructed from client records

6 of the 10 documented disposals carry no broker basis at all and the rest carry a basis reflecting a transfer-in value rather than the original acquisition cost. The pattern is not random: basis is missing or wrong precisely where an asset arrived in the account by transfer, because the reporting broker never saw the acquisition. That is also why per-account tracking makes the reconstruction harder, since the workpaper has to establish not only what the asset cost but which account held it.

Self-transfer matching

13 of the 14 movements below are transfers between accounts the client controls and are therefore not disposals. The software the client had used reported all of them as sales. Under per-account basis tracking these movements do more than avoid a taxable event: each one carries specific lots, with their acquisition dates and basis, out of one pool and into another, which is what makes a later disposal from the receiving account supportable.

Date	Asset	Quantity	From	To	Status	Basis for matching
02/04/25	BTC	0.4	Coinbase	Self-custody (Ledger)	Matched	Software flagged as disposal; matched on quantity, fee and 41-minute window
03/27/25	ETH	9.5	Coinbase	Self-custody (MetaMask)	Matched	Matched on-chain to a client-controlled address
05/02/25	SOL	30	Binance.US	Self-custody (Phantom)	Matched	Account closed out after the March sale; network fee treated as basis adjustment
06/10/25	ETH	6	Self-custody (MetaMask)	Coinbase	Matched	Funding the June sale; matched on-chain to the client's deposit address
06/28/25	ETH	4	Self-custody (MetaMask)	Self-custody (Lido)	Matched	Deposit into liquid staking contract; treated as non-taxable per position taken by preparer
08/03/25	BTC	0.4	Self-custody (Ledger)	Coinbase	Matched	Return leg of the February transfer; the lots that left in February are the lots that came back
09/11/25	USDC	25,000	Coinbase	External account	Unmatched	Destination not controlled by client per client statement - see Open Items OI-02
09/18/25	SOL	55	Self-custody (Phantom)	Coinbase	Matched	Funding the September sale; matched on-chain
10/05/25	SOL	40	Self-custody (Phantom)	Coinbase	Matched	Matched on-chain
10/22/25	ETH	6	Self-custody (MetaMask)	Kraken	Matched	Funding the October sale; matched on-chain
12/01/25	ETH	1.73	Self-custody (Lido)	Self-custody (MetaMask)	Matched	Unstaking withdrawal; principal plus accrued rewards already recognised
12/10/25	SOL	55	Self-custody (Phantom)	Coinbase	Matched	Funding the December sale; matched on-chain
12/22/25	ETH	7	Self-custody (MetaMask)	Kraken	Matched	Year-end consolidation ahead of the December sale; matched on-chain
12/22/25	ETH	3.5	Coinbase	Kraken	Matched	Year-end consolidation ahead of the December sale; matched on exchange records

Open items

Decisions required from the preparer. Nothing here has been resolved in the figures without being flagged; where a treatment was applied to produce a complete workpaper, it is stated and can be reversed on instruction.

Ref	Priority	Item	What we found and how we treated it	What we need from you
OI-01	High	Safe-harbour allocation at 01/01/2025	Unused basis in the 14 pre-2025 lots has been allocated to specific accounts by the specific unit method, supported by the transfer evidence on page 3.	Adopt or amend the allocation. It must be documented before the earlier of the first 2025 disposition and the return due date, and cannot be revised afterwards.
OI-02	High	USDC transfer 09/11/2025	25,000 USDC left Coinbase to an address the client states is not his. Treated as a disposal at $1.00 pending your decision.	Confirm ownership. If client-controlled, we re-match and the disposal reverses.
OI-03	High	Liquid staking deposit 06/28/2025	4.0 ETH deposited into a liquid staking contract, receipt token returned. Treated as non-taxable, with the lots moving into the staking account rather than being disposed of.	Confirm the position your firm takes on liquid staking wrappers.
OI-04	Medium	Defunct exchange lots L-001, L-002, L-007	Acquisition cost rebuilt from on-chain data and daily index prices. No broker statement exists. The same trace establishes which account held each lot at 01/01/2025.	Confirm acceptable as substantiation, or advise on alternative treatment.
OI-05	Medium	Airdrop ARB 04/08/2025	Income recognised at FMV on the claim transaction date, not the snapshot date.	Confirm timing convention.
OI-06	Low	Staking reward aggregation	Daily Lido accruals aggregated to quarter-end for practicality; annual total is unaffected.	Confirm acceptable, or we will deliver the daily schedule.
OI-07	Low	MATIC ticker migration	Token migrated to a new ticker during the year. Treated as a continuation, not a disposal.	Confirm.

Method, conventions and assumptions

Area	Treatment applied	Note
Accounting method	FIFO applied within each wallet or account separately.	The client made no adequate identification at or before the time of any disposal, so FIFO is the default.
Basis tracking	Per wallet and per account, as required by Rev. Proc. 2024-28 from 01/01/2025. Universal pooling across accounts is not used.	Every disposal draws basis only from lots held in the account it was sold from. Control test in the workbook.
Opening allocation	Unused basis in pre-2025 lots allocated to specific accounts by the specific unit method, lot by lot.	Set out in full on page 3. Cannot be revised once made. The preparer adopts the allocation - see OI-01.
Specific identification	Not applied. No lot has been selected retrospectively to improve the result.	Adequate identification must be made at or before the time of sale under Treas. Reg. 1.1012-1(c); standing instructions were not in place.
Valuation source	Daily volume-weighted index price in USD at the timestamp of each transaction.	Where a venue reported no price, the index price is used and the row is flagged.
Self-transfers	Movements between client-controlled accounts are not disposals. The lots move, carrying acquisition date and basis into the receiving account.	Matched on quantity net of fee, timestamp proximity and address control evidence.
Network fees	Transfer fees treated as an adjustment to basis of the transferred lot.	Not deducted as a separate expense.
Staking and airdrops	Ordinary income at FMV on receipt; that amount becomes the lot basis in the account that received it.	Dominion and control taken as the date the reward was withdrawable or the airdrop claimed.
Rounding	Quantities to 8 decimals, USD to 2 decimals. Totals may differ by cents.	No rounding adjustment has been posted.
Wash sales	No wash-sale adjustments applied to digital asset disposals.	Reflects law as at the delivery date; the preparer retains the reporting position.

Prepared by kryptotax.eu - JUDr. Ing. Anton Kuric, licensed tax advisor entered in the register of the Slovak Chamber of Tax Advisors, reg. no. 980/2011, Zilina, Slovakia. info@kryptotax.eu. kryptotax.eu does not prepare or sign U.S. tax returns and takes no position on how any item is reported. This document is an illustrative sample built on fictitious data.