

I have done no research into this, but my best guess is that you can treat NMR coin appreciation like capital gains and earning and burning like dividends (regular income) when it occurs at the USD value of that time. I am thinking like in this scenario

\$100 @ \$10/NMR given 10 tokens staked 1/1/22

earn 4 NMR tokens at \$11/NMR on 1/8/22

earn 6 NMR tokens at \$10/NMR on 1/15/22

burn 8 NMR tokens at \$8/NMR on 1/22/22

As of 1/22/22, If you did no buying or selling, you would essentially have this much in earned income: $4 \times 11 + 6 \times 10 - 8 \times 8 = \40

For the capital side,

10 tokens depreciated from \$10 to \$8

4 tokens depreciated from \$11 to \$8

6 tokens depreciated from \$10 to \$8

You had to "sell" 8 tokens when it burns at \$8. I think you can "identify" which coins you are trying to sell like stocks like when you sell a covered call that is exercised? Otherwise probably FIFO? So to max losses, you sell the 4 tokens bought at \$11 and 4 tokens (lot of 6) bought at \$10 for a loss of $\$12 + \$8 = \$20$. Otherwise, FIFO results in selling the 8 of the initial 10 tokens at \$8 for a loss of \$16.

In balance

10 tokens capital loss from \$100 to \$80 = \$20

4 token dividend (+\$44) with capital loss from \$44 to \$32 = \$12

6 token dividend (+\$60) with capital loss from \$60 to \$48 = \$12

8 token burn (-\$64). Depending on which tokens you "choose" to sell, you realize the above capital loss.

Start: \$100

Income: +\$40

Capital Loss Realized: $\$12 + \$8 = \$20$ (sell the lot of 4 and 4/6 lot)

Capital Loss Unrealized: \$24

End: \$96

Report the income of \$40 and short term capital loss of \$20. My best guess

I will also have to do this for my tax returns so I'd appreciate any further good advice for correct accounting or to minimize tax bill