HB214

7XQQVEV-1

By Representatives Shaw, Brown, Chestnut

RFD: State Government

First Read: 21-Feb-24

SYNOPSIS:

In general, digital assets broadly refer to any digital representation of value which is recorded electronically, such as virtual currency or cryptocurrency.

This bill would prohibit the state from restricting the use or storage of digital assets, levying additional taxes on digital assets, restricting digital asset mining, or enacting zoning restrictions or noise restrictions specific to digital asset mining.

This bill would exempt digital asset mining, staking, and the operation of a node from classification as a security or money transmission.

This bill would also define terms.

A BILL

TO BE ENTITLED

AN ACT

Relating to digital assets; to prohibit the state from restricting the use or the storage of digital assets, levying additional taxes on digital assets, restricting digital asset mining, or enacting zoning restrictions or noise restrictions specific to digital asset mining; and to exempt digital asset mining, staking, and the operation of a node from classification as a security or money transmission.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. For the purposes of this act, the following terms have the following meanings:

(1) BLOCKCHAIN. Data that is shared across a network to create a ledger of verified transactions or information among network participants, linked using cryptography to maintain the integrity of the ledger and to execute other functions, and distributed among network participants in an automated fashion to concurrently update network participants on the state of the ledger and any other functions.

(2) BLOCKCHAIN PROTOCOL. Any executable software deployed to a blockchain composed of source code that is publicly available and accessible, including a smart contract or any network of smart contracts.

(3) DIGITAL ASSET. Virtual currency, cryptocurrencies, natively electronic assets, including stablecoins and non-fungible tokens, and other digital-only assets that confer economic, proprietary, or access rights or powers.

(4) DIGITAL ASSET MINING. Using electricity to power a computer or node for the purpose of securing a blockchain network.

(5) DIGITAL ASSET MINING BUSINESS. A group of computers working at a single site which consumes more than one megawatt of energy on an average annual basis for the purpose of securing a blockchain network or generating digital assets.

(6) HARDWARE WALLET. A physical device that is not

continuously connected to the Internet, allows an individual to secure and transfer digital assets, and allows the owner to retain independent control over the digital assets that are stored in the wallet.

(7) NODE. A computational device that does any of the following:

a. Communicates with other devices or participants on a blockchain to maintain consensus and the integrity of that blockchain.

b. Creates or validates transaction blocks.

c. Contains a copy of a blockchain but does not exercise discretion over transactions initiated by the end users of the blockchain protocol.

(8) SELF-HOSTED WALLET. A digital interface used to secure and transfer digital assets and under which the owner of the digital assets retains independent control over the digital assets that are secured by the digital interface.

(9) STAKING. Using a node to lock digital assets in order to operate the consensus mechanism of a blockchain protocol.

(10) STAKING AS A SERVICE. The provision of technical staking services necessary to facilitate participation in blockchain protocol consensus mechanisms, including, but not limited to, the operation of nodes and other associated infrastructure.

Section 2. (a) The state shall not prohibit, restrict, or otherwise impair the ability of an individual to do either of the following:

(1) Use digital assets to purchase legal goods or services.

(2) Maintain a self-hosted wallet or a hardware wallet.

(b) The state shall not subject digital assets to any additional tax, withholding, assessment, or charge when the digital asset is used as a method of payment.

(c)(1) A transaction shall be exempt from capital gains taxes if both of the following conditions exist:

a. A digital asset was used as a method of payment.

b. The value of the transaction was two hundred dollars ($200) or less.

(2) The dollar amount listed in paragraph (1)b. shall be adjusted each year on January 1 according to the Consumer Price Index.

Section 3. (a) The state and any political subdivision of the state shall not enact any ordinance, resolution, or rule that does any of the following:

(1) Imposes requirements on a digital asset mining business that are not requirements for data centers located in the same jurisdiction.

(2) Prevents a digital asset mining business from operating in an area zoned for industrial use.

(3) Prevents digital asset mining at a private residence, except as related to ordinances.

(b) Any digital asset mining business operating with a municipal business license on January 31, 2024, may continue to operate regardless of any subsequent change in zoning or other regulations.

Section 4. (a) Digital asset mining shall not be classified as money transmission as defined in Section 8-7A-2, Code of Alabama 1975.

(b) The state may not prohibit the operation of a node or the transfer of digital assets using a blockchain protocol.

(c) The operation of a node or exchange of a digital asset for another digital asset using a blockchain protocol shall not be classified as money transmission as defined in Section 8-7A-2, Code of Alabama 1975.

(d) An individual or entity offering digital asset mining as a service shall not be classified as offering a security as defined by Section 8-6-2, Code of Alabama 1975.

(e) An individual or entity offering staking as a service shall not be classified as offering a security as defined by Section 8-6-2, Code of Alabama 1975.

(f) Notwithstanding any other provision of law, an individual or entity participating in digital asset mining, the operation of a node, or staking shall not face liability for validating a digital asset transaction.

Section 5. (a) Nothing in this act shall prohibit the state from imposing or collecting a tax, withholding, assessment, or charge that the state would otherwise impose or collect if the transaction was made without a digital asset.

(b) Nothing in this act shall prohibit any municipality from requiring a digital asset mining business to obtain or maintain a business license.

Section 6. This act shall become effective on October 1, 2024.