1   HB214

2   7XQQVEV-1

3   By Representatives Shaw, Brown, Chestnut

4   RFD: State Government

5   First Read: 21-Feb-24

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4   SYNOPSIS:

5   In general, digital assets broadly refer to any

6   digital representation of value which is recorded

7   electronically, such as virtual currency or

8   cryptocurrency.

9   This bill would prohibit the state from

10   restricting the use or storage of digital assets,

11   levying additional taxes on digital assets, restricting

12   digital asset mining, or enacting zoning restrictions

13   or noise restrictions specific to digital asset mining.

14   This bill would exempt digital asset mining,

15   staking, and the operation of a node from

16   classification as a security or money transmission.

17   This bill would also define terms.

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20   A BILL

21   TO BE ENTITLED

22   AN ACT

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24   Relating to digital assets; to prohibit the state from

25   restricting the use or the storage of digital assets, levying

26   additional taxes on digital assets, restricting digital asset

27   mining, or enacting zoning restrictions or noise restrictions

28   specific to digital asset mining; and to exempt digital asset

29 mining, staking, and the operation of a node from

30 classification as a security or money transmission.

31 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

32   Section 1. For the purposes of this act, the following

33 terms have the following meanings:

34   (1) BLOCKCHAIN. Data that is shared across a network to

35 create a ledger of verified transactions or information among

36 network participants, linked using cryptography to maintain

37 the integrity of the ledger and to execute other functions,

38 and distributed among network participants in an automated

39 fashion to concurrently update network participants on the

40 state of the ledger and any other functions.

41   (2) BLOCKCHAIN PROTOCOL. Any executable software

42 deployed to a blockchain composed of source code that is

43 publicly available and accessible, including a smart contract

44 or any network of smart contracts.

45   (3) DIGITAL ASSET. Virtual currency, cryptocurrencies,

46 natively electronic assets, including stablecoins and

47 non-fungible tokens, and other digital-only assets that confer

48 economic, proprietary, or access rights or powers.

49   (4) DIGITAL ASSET MINING. Using electricity to power a

50 computer or node for the purpose of securing a blockchain

51 network.

52   (5) DIGITAL ASSET MINING BUSINESS. A group of computers

53 working at a single site which consumes more than one megawatt

54 of energy on an average annual basis for the purpose of

55 securing a blockchain network or generating digital assets.

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

57 continuously connected to the Internet, allows an individual

58 to secure and transfer digital assets, and allows the owner to

59 retain independent control over the digital assets that are

60 stored in the wallet.

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

62 following:

63   a. Communicates with other devices or participants on a

64 blockchain to maintain consensus and the integrity of that

65 blockchain.

66   b. Creates or validates transaction blocks.

67   c. Contains a copy of a blockchain but does not

68 exercise discretion over transactions initiated by the end

69 users of the blockchain protocol.

70   (8) SELF-HOSTED WALLET. A digital interface used to

71 secure and transfer digital assets and under which the owner

72 of the digital assets retains independent control over the

73 digital assets that are secured by the digital interface.

74   (9) STAKING. Using a node to lock digital assets in

75 order to operate the consensus mechanism of a blockchain

76 protocol.

77   (10) STAKING AS A SERVICE. The provision of technical

78 staking services necessary to facilitate participation in

79 blockchain protocol consensus mechanisms, including, but not

80 limited to, the operation of nodes and other associated

81 infrastructure.

82   Section 2. (a) The state shall not prohibit, restrict,

83 or otherwise impair the ability of an individual to do either

84 of the following:

85   (1) Use digital assets to purchase legal goods or

86 services.

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

88   (b) The state shall not subject digital assets to any

89 additional tax, withholding, assessment, or charge when the

90 digital asset is used as a method of payment.

91   (c)(1) A transaction shall be exempt from capital gains

92 taxes if both of the following conditions exist:

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

94   b. The value of the transaction was two hundred dollars

95 ($200) or less.

96   (2) The dollar amount listed in paragraph (1)b. shall

97 be adjusted each year on January 1 according to the Consumer

98 Price Index.

99   Section 3. (a) The state and any political subdivision

100 of the state shall not enact any ordinance, resolution, or

101 rule that does any of the following:

102   (1) Imposes requirements on a digital asset mining

103 business that are not requirements for data centers located in

104 the same jurisdiction.

105   (2) Prevents a digital asset mining business from

106 operating in an area zoned for industrial use.

107   (3) Prevents digital asset mining at a private

108 residence, except as related to ordinances.

109   (b) Any digital asset mining business operating with a

110 municipal business license on January 31, 2024, may continue

111 to operate regardless of any subsequent change in zoning or

112 other regulations.

113   Section 4. (a) Digital asset mining shall not be

114   classified as money transmission as defined in Section 8-7A-2,

115   Code of Alabama 1975.

116   (b) The state may not prohibit the operation of a node

117   or the transfer of digital assets using a blockchain protocol.

118   (c) The operation of a node or exchange of a digital

119   asset for another digital asset using a blockchain protocol

120   shall not be classified as money transmission as defined in

121   Section 8-7A-2, Code of Alabama 1975.

122   (d) An individual or entity offering digital asset

123   mining as a service shall not be classified as offering a

124   security as defined by Section 8-6-2, Code of Alabama 1975.

125   (e) An individual or entity offering staking as a

126   service shall not be classified as offering a security as

127   defined by Section 8-6-2, Code of Alabama 1975.

128   (f) Notwithstanding any other provision of law, an

129   individual or entity participating in digital asset mining,

130   the operation of a node, or staking shall not face liability

131   for validating a digital asset transaction.

132   Section 5. (a) Nothing in this act shall prohibit the

133   state from imposing or collecting a tax, withholding,

134   assessment, or charge that the state would otherwise impose or

135   collect if the transaction was made without a digital asset.

136   (b) Nothing in this act shall prohibit any municipality

137   from requiring a digital asset mining business to obtain or

138   maintain a business license.

139   Section 6. This act shall become effective on October

140   1, 2024.