

HB 2488 A STAFF MEASURE SUMMARY

Senate Committee On Campaign Finance

Prepared By: C. Ross, Counsel

Meeting Dates: 4/17

WHAT THE MEASURE DOES:

Prohibits state government from accepting payments in cryptocurrency unless authorized by the Treasurer.
Prohibits political contributions using cryptocurrency.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Virtual or digital currencies are creatures of the Internet age. Such currencies may be money in electronic form, issued and controlled through centralized authorities that set value, like governments; or decentralized mediums of exchange, where creation and control of the medium is maintained by a virtual community of users. Cryptocurrencies are decentralized and rely on cryptography to track and control peer-to-peer transactions that may be anonymous.

At the federal level, digital coins and tokens are considered securities, subject to regulation by the U.S. Securities and Exchange Commission; virtual or digital currency is considered property for federal tax purposes and income from virtual or digital currency transactions is reportable; and the Federal Election Commission allows campaign donations in cryptocurrency. At the state level, there are a variety of different approaches resulting in increased complexity, and the dozen states that have specifically considered political contributions are split between allowing and prohibiting same in cryptocurrency. The Uniform Law Commission issued model language to standardize state legislation in 2017, followed by a supplement in 2018. There were 55 bills in 23 jurisdictions concerned with cryptocurrency in 2018, according to the National Conference of State Legislatures, and legislative and regulatory approaches were generally concerned with consumer and investment protection, anti-money laundering provisions, and taxation. Arizona, Colorado, Montana, and Washington are among the handful of states that allow political donations in cryptocurrency; California, Kansas, North Carolina, Michigan and South Carolina are among the handful of states that have prohibited it.

In Oregon, the Secretary of State recently authorized campaign contributions, while prohibiting campaign expenditures, in cryptocurrency, treating cryptocurrency the same as shares of stock, consistent with the Federal Elections Commission: the market value of the cryptocurrency on the day the contribution is received, is recorded as the contribution amount, and any change in value realized through the sale of cryptocurrency is treated as an investment gain or loss.

House Bill 2488 A prohibits state government from accepting payments in cryptocurrency unless authorized by the Treasurer, and prohibits political contributions using cryptocurrency.

52 - 7 - 1 off the House floor; 4 - 0 - 3 out of House committee.