



ARIZONA STATE SENATE
Fifty-Sixth Legislature, First Regular Session

FACT SHEET FOR S.B. 1239

state agencies; payments; cryptocurrency

Purpose

Effective January 1, 2024, allows a state agency to enter into an agreement with a cryptocurrency issuer to accept cryptocurrency as a method of payment for any amount due to the state agency or the state. Allows tax payments to be made in cryptocurrency if the Arizona Department of Revenue (ADOR) enters into an agreement with a cryptocurrency issuer to accept cryptocurrency as a method of payment.

Background

Cryptocurrency is a type of convertible virtual currency that can be used as payment for goods and services, digitally traded between users and exchanged for or into real currency or digital assets ([IRS](#)).

Transaction privilege taxes (TPT) is a gross receipts tax levied the privilege of conducting business in Arizona and is imposed under 16 business classifications. Statute requires businesses to pay TPT monthly to ADOR and all TPT payments must be made to ADOR by: 1) bank draft; 2) check; 3) cashier's check; 4) money order; 5) cash; 6) money order; 7) cash; or 8) electronic funds (A.R.S. §§ [42-5008](#); [42-5014](#); and [42-5018](#)).

Individual and corporate income tax is levied on taxable income. Income tax may be paid in installments or in one payment, as prescribed. Corporate income tax can be paid by electronic funds transfer and individual income tax can be paid by check, cashier's check, certified check, money order, U.S. currency or by the application of an overpayment from a prior tax return (A.R.S. [43-1011](#); [Version 2](#) and [43-1111](#) and A.A.C. [R15-2C-101](#) and [R15-10-302](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Allows a state agency to enter into an agreement with a cryptocurrency issuer to provide a method to accept cryptocurrency as a payment method of fines, civil penalties, other penalties, rent, rates, taxes, fees, charges, revenue, financial obligations and special assessments.
2. Allows a state agency that has entered into an agreement with a cryptocurrency issuer to accept cryptocurrency as a payment method for any amount due to the state agency or the state.
3. Requires an agreement to:
 - a) govern the terms and conditions on which cryptocurrency may be accepted or declined as a form of payment; and
 - b) provide the manner and conditions that a cryptocurrency issuer must pay the state in cryptocurrency or U.S. dollars pursuant to the agreement.

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4. Allows ADOR to enter into an agreement to accept cryptocurrency for the remittances of TPT and municipal tax.
5. Adds cryptocurrency to the permissible methods of remitting taxes to ADOR, if ADOR enters into an agreement with a cryptocurrency issuer.
6. Deems a person that pays with cryptocurrency liable for the payment and all interest and penalties until the state agency receives the final and unconditional payment of the full amount due from the cryptocurrency issuer for the cryptocurrency transaction.
7. Allows a state agency to pay any services fees specified in a cryptocurrency payment agreement or require a person that pays with cryptocurrency to pay the services fees associated with the cryptocurrency transaction.
8. Defines *cryptocurrency* as any form of digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of monies, operating independently of a central bank, including Bitcoin, Ethereum, Litecoin and Bitcoin Cash.
9. Defines a *cryptocurrency issuer* as an issuer of any form of cryptocurrency, including Bitcoin, Ethereum, Litecoin and Bitcoin Cash.
10. Makes technical and conforming changes.
11. Becomes effective on January 1, 2024.

Prepared by Senate Research

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