IN THE SENATE

SENATE BILL NO. 1296, As Amended

BY COMMERCE AND HUMAN RESOURCES COMMITTEE

1   AN ACT
2 RELATING TO THE DISTRIBUTED LEDGER TECHNOLOGY ACT; AMENDING TITLE 28, IDAHO
3   CODE, BY THE ADDITION OF A NEW CHAPTER 54, TITLE 28, IDAHO CODE, TO PRO-
4   VIDE A SHORT TITLE, TO PROVIDE LEGISLATIVE FINDINGS AND INTENT, TO DE-
5   FINE TERMS, TO PROVIDE FOR THE RIGHT TO OPERATE DISTRIBUTED LEDGER TECH-
6   NOLOGY NODES, TO PROVIDE A RIGHT TO SELF-CUSTODY AND USE OF DISTRIBUTED
7   LEDGER TECHNOLOGY TOKENS, TO PROHIBIT CERTAIN TAXATION AND TO PROVIDE
8   FOR THE APPLICATION OF IDAHO TAX CODE, AND TO PROVIDE FOR THE RIGHT TO
9   RUN DISTRIBUTED LEDGER TECHNOLOGY NODES; AND DECLARING AN EMERGENCY.

10 Be It Enacted by the Legislature of the State of Idaho:

11   SECTION 1. That Title 28, Idaho Code, be, and the same is hereby amended
12 by the addition thereto of a NEW CHAPTER, to be known and designated as Chap-
13 ter 54, Title 28, Idaho Code, and to read as follows:

14   CHAPTER 54
15   DISTRIBUTED LEDGER TECHNOLOGY

16   28-5401. SHORT TITLE. This chapter shall be known and may be cited as
17 the "Distributed Ledger Technology Act."

18   28-5402. LEGISLATIVE FINDINGS AND INTENT. The legislature finds that
19 the use of distributed ledger technology provides substantial positive
20 economic value for individuals, nonprofit organizations, corporations,
21 cities, and states throughout the United States. However, distributed
22 ledger technology has often faced difficulty with regulations at the state
23 and local level. For these reasons, it is the intent of the legislature to
24 protect the right of individuals and businesses to use distributed ledger
25 technology and to create legal certainty for the distributed ledger technol-
26 ogy industry.

27   28-5403. DEFINITIONS. As used in this chapter:
28   (1) "Data center" means a use involving a building or premises in which
29 the majority of the use is occupied by computers, telecommunications, or re-
30 lated equipment, including supporting equipment, where information is pro-
31 cessed, transferred, and stored.
32   (2) "Distributed ledger technology" means a peer-to-peer network of
33 computers or computing devices that enable the operation and use of dis-
34 tributed databases for various purposes. Users hold private keys that are
35 used to sign database entries. Nodes in the peer-to-peer network verify
36 database entries through cryptographic proof conditions and record them in
37 a public distributed ledger, without centralized human oversight according
38 to rules established in an algorithmic protocol. Distributed ledger tech-

1 nology tokens are digital assets and can be used as a store of value and a
2 currency.
3 (3) "Distributed ledger technology node" means a computational device
4 that contains a copy of a distributed ledger technology and that acts as a
5 network communication hub, validates database entries, and relays informa-
6 tion on a distributed ledger technology network.
7 (4) "Distributed ledger technology verification" means the use of
8 electricity or other energy source to power a computer or other computa-
9 tional device for the purpose of validating and securing a distributed
10 ledger technology network, the generation of tokens, or both.
11 (5) "Distributed ledger technology verification business" means a
12 group of computers or other computational devices working at a single site
13 that consume more than one (1) megawatt of energy on an average annual basis
14 for the purpose of securing a distributed ledger technology network, veri-
15 fying transactions on a distributed ledger technology network, operating a
16 node on a distributed ledger technology network, or generating tokens on a
17 distributed ledger technology network.
18 (6) "Hardware cryptocurrency wallet" means a physical device capable
19 of storing distributed ledger technology private and public keys offline.
20 (7) "Private keys" means a part of an asymmetric cryptographic system
21 that uses a pair of related one-way cryptographic keys to secure access to
22 information recorded in a distributed ledger technology network that is pri-
23 vately held by individual network users.
24 (8) "Public keys" means a part of an asymmetric cryptographic system
25 that uses a pair of related one-way cryptographic keys to secure access to
26 information recorded in a distributed ledger technology network that is gen-
27 erally viewable by all network users.

28 28-5404. RIGHT TO OPERATE DISTRIBUTED LEDGER TECHNOLOGY NODES. (1) A
29 governing body of a city or county or any combination of such governing bod-
30 ies shall not enact an ordinance, resolution, or rule that:
31 (a) Imposes requirements on a distributed ledger technology verifi-
32 cation business that are not also requirements for data centers in its
33 area of jurisdiction;
34 (b) Prevents a distributed ledger technology verification business
35 from operating in an area zoned for industrial use;
36 (c) Prevents home distributed ledger technology verification, node op-
37 eration, or token generation at a private residence, except as related
38 to existing noise ordinances;
39 (d) Rezones an area in which a distributed ledger technology verifi-
40 cation business is located without complying with applicable state law
41 and local zoning ordinances; or
42 (e) Rezones an area with the intent or effect of discriminating against
43 a distributed ledger technology verification business.
44 (2) A distributed ledger technology verification business may appeal a
45 change in zoning of an area by a local government under any applicable state
46 law or local zoning ordinance.
47 (3) Any distributed ledger technology verification business operating
48 on or before the effective date of this act may continue to operate regard-

1 less of any change in zoning or regulations as long as the business does not
2 expand its operations.
3   (4) A person that is engaged in home distributed ledger technology ver-
4 ification or that has a distributed ledger technology verification business
5 shall not be considered a money transmitter under the Idaho money transmit-
6 ters act, chapter 29, title 26, Idaho Code.

7   28-5405. RIGHT TO SELF-CUSTODY AND USE OF DISTRIBUTED LEDGER TECHNOL-
8 OGY TOKENS. A governing body of a city or county or any combination of such
9 governing bodies shall not enact an ordinance, resolution, or rule that pro-
10 hibits, restricts, or otherwise impairs the ability of an individual to use:
11   (1) A software or hardware cryptocurrency wallet for self-custody of
12 distributed ledger technology private or public keys; or
13   (2) Distributed ledger technology tokens for the purchase of legal
14 goods or services.

15   28-5406. TAXATION OF DISTRIBUTED LEDGER TECHNOLOGY TOKENS. (1) Dis-
16 tributed ledger technology tokens used as a method of payment shall not be
17 subject to any additional tax, withholding, assessment, or charge by the
18 state or a local government that is based solely on the use of distributed
19 ledger technology tokens as the method of payment.
20   (2) Nothing in this section prohibits the state or a local government
21 from imposing or collecting a tax, withholding, assessment, or charge other-
22 wise authorized pursuant to title 63, Idaho Code.

23   28-5407. RIGHT TO RUN DISTRIBUTED LEDGER TECHNOLOGY NODES. A govern-
24 ing body of a city or county or any combination of such governing bodies shall
25 not enact an ordinance, resolution, or rule that prohibits, restricts, or
26 otherwise impairs the ability of an individual to run a distributed ledger
27 technology node.

28   SECTION 2. An emergency existing therefor, which emergency is hereby
29 declared to exist, this act shall be in full force and effect on and after its
30 passage and approval.