

1 AN ACT relating to sales and use tax.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 139.516 is amended to read as follows:

4 (1) As used in this section:

5 (a) "Blockchain technology" means shared or distributed data structures or digital  
6 ledgers governed by consensus protocols and maintained by peer-to-peer  
7 networks that:

- 8 1. Store digital transactions; and
- 9 2. Verify and secure transactions cryptographically;

10 (b) "Colocation facility" means a facility which houses tangible personal property  
11 that functions as a computing system node or nodes, or hosts such node or  
12 nodes, in the commercial mining of cryptocurrency and which the computing  
13 system node or nodes of the facility consume no less than two hundred  
14 thousand (200,000) kilowatt hours of electricity per month;

15 (c) "Commercial mining of cryptocurrency" means the process through which  
16 blockchain technology is used to mine cryptocurrency at a colocation facility;

17 (d) **"Computing system node" means equipment purchased or leased:**

18 **1. For operational use in this state; and**

19 **2. That consists of specialized computers, including all power-related**  
20 **equipment required to operate the computers, used in the commercial**  
21 **mining of cryptocurrency;**

22 (e) "Consensus protocol" means a set of rules and procedures that control how  
23 and when blockchain transactions are verified, validated, recorded, and  
24 recognized;

25 ~~(f)~~(e) "Cryptocurrency" means a type of virtual currency that utilizes  
26 blockchain technology and that:

- 27 1. Can be digitally traded between users; or

1           2.    Can be converted or exchanged for legal tender;

2           ~~(g)~~~~(f)~~    "Mine" means the process through which blockchain transactions are  
3           verified and accepted by adding the transactions to a blockchain ledger, which  
4           involves solving complex mathematical cryptographic problems associated  
5           with a block containing transaction data; and

6           ~~(h)~~~~(g)~~    "Peer-to-peer networks" has the same meaning as in KRS 42.747.

7   (2)   (a)   The tax imposed by KRS 139.200 or 139.310 shall not apply to:

8           1.    The sale or purchase of electricity that is used or consumed in the  
9           commercial mining of cryptocurrency; or

10          2.    Computing system nodes.

11          (b)   Applications for the exemption shall be made on or after July 1, 2021, and on  
12          or before June 30, 2025.

13          (c)   The exemption shall apply to electricity and computing system nodes sold or  
14          purchased on or after the effective date of application and before July 1, 2030.

15   (3)   (a)   To qualify for the exemption provided in subsection (2) of this section, each  
16          person seeking the exemption shall file an application for each location when  
17          the commercial mining of cryptocurrency takes place in this state.

18          (b)   The application shall be in the form prescribed by the department and shall  
19          include:

- 20                  1.    The name and mailing address of the person seeking the exemption;
- 21                  2.    A description of the person's business activities;
- 22                  3.    The business location where the operations will be located, including the  
23                  street address, city, and county; and
- 24                  4.    Any other information the department may require.

25   (4)   If the application is approved by the department:

26          (a)   The department shall issue a certificate which shall be effective as of the date  
27          of the application. The effective date of the application shall be:

- 1           1.    The postmark date, if a paper application is filed;
- 2           2.    The date received at the department's office, if an application is
- 3                 delivered in person; or
- 4           3.    The electronic time stamp, if the application is filed electronically; and
- 5       (b)   The approved applicant shall report the amounts of the tax exemption claimed
- 6                 in subsection (2) of this section from the date of application to September 1,
- 7                 2021, on or before November 1, 2021, and for each fiscal year thereafter on or
- 8                 before each November 1, as long as the exemption applies.
- 9       (5)   On or before January 1, 2022, and on or before each January 1 thereafter as long as
- 10             the exemption applies, the department shall report to the Interim Joint Committee
- 11             on Appropriations and Revenue:
- 12       (a)   The total amount of tax exemption that has been claimed for the immediately
- 13             preceding fiscal year; and
- 14       (b)   The total cumulative amount of the exemption claimed.
- 15       ➔Section 2. Section 1 of this Act applies to transactions occurring on or after July
- 16       1, 2021.