

1 AN ACT relating to blockchain digital assets.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 369 IS CREATED TO  
4 READ AS FOLLOWS:

5 *As used in Sections 1 to 4 of this Act:*

6 *(1) "Blockchain" means data that is:*

7 *(a) Shared across a network to create a ledger of verified transactions or*  
8 *information among linked network participants using cryptography to:*

9 *1. Maintain the integrity of the ledger; or*

10 *2. Execute other functions; and*

11 *(b) Distributed in a concurrent, automated update to network participants on*  
12 *the state of the ledger;*

13 *(2) "Blockchain network" means a technical infrastructure that provides ledger and*  
14 *smart contract services to applications;*

15 *(3) "Blockchain protocol" means any executable software deployed to a blockchain*  
16 *composed of a source code that is publicly available and accessible, including a*  
17 *smart contract or any network of smart contracts;*

18 *(4) "Cryptocurrency" has the same meaning as in KRS 139.516;*

19 *(5) "Cryptography" means the practice of coding information to ensure only the*  
20 *person that a message was written for can read and process that information;*

21 *(6) "Digital asset" means:*

22 *(a) Virtual currency;*

23 *(b) Cryptocurrency; and*

24 *(c) Natively electronic assets, including stablecoins and nonfungible tokens;*  
25 *that confer economic, proprietary, or access rights or powers;*

26 *(7) "Digital asset mining" means using electricity to power a computer or node for*  
27 *the purpose of securing a blockchain network;*

- 1 (8) "Digital asset mining business" means a group of computers working together  
2 that consume more than one (1) megawatt of energy for the purpose of securing a  
3 blockchain protocol;
- 4 (9) "Hardware wallet" means a physical device that stores private keys offline and  
5 provides a way to sign transactions and interact with the blockchain;
- 6 (10) "Home digital asset mining" means using digital asset mining in an area zoned  
7 for residential use;
- 8 (11) "Natively electronic asset" means a purely digital asset that exists only on the  
9 blockchain network;
- 10 (12) "Node" means a computational device which:  
11 (a) 1. Communicates with other devices or participants on a blockchain to  
12 maintain consensus and integrity of that blockchain;  
13 2. Creates and validates transaction blocks; or  
14 3. Contains and updates a copy of a blockchain; and  
15 (b) Does not exercise discretion over transactions initiated by the end users of  
16 the blockchain protocol;
- 17 (13) "Nonfungible token" means a digital asset on a blockchain that:  
18 (a) Has unique identification codes and metadata that are recorded;  
19 (b) Has been tokenized and cannot be replicated;  
20 (c) Is used to certify ownership and authenticity; and  
21 (d) Represents digital or physical items including artwork or real estate;
- 22 (14) "Private key":  
23 (a) Means the access to manage digital assets at a specific internet address; and  
24 (b) May be used for encryption and digital signature;
- 25 (15) "Self-hosted wallet" means a digital interface that is independently hosted and  
26 controlled by the owner of its digital assets and private keys who may secure and  
27 transfer the digital assets;

1 (16) "Smart contract" has the same meaning as in KRS 42.747;

2 (17) "Stablecoin" means a type of cryptocurrency of which the value is tied to that of  
3 another currency, commodity, or financial instrument;

4 (18) "Staking" means using a node to lock digital assets in order to operate the  
5 consensus mechanism of a blockchain protocol;

6 (19) "Staking as a service" means the provision of technical staking services,  
7 including the operation of nodes and the associated infrastructure, necessary to  
8 facilitate participation in blockchain protocols' consensus mechanisms;

9 (20) "Third-party wallet" means a wallet that is hosted and controlled by a party other  
10 than the owner which contains the private keys for the owner of digital assets;  
11 and

12 (21) "Wallet" means a digital interface or a physical device which holds digital assets  
13 or private keys, and may include a:

14 (a) Hardware wallet;

15 (b) Self-hosted wallet; and

16 (c) Third-party wallet.

17 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 369 IS CREATED TO  
18 READ AS FOLLOWS:

19 (1) An individual shall not be prohibited from:

20 (a) Accepting digital assets for payment for legal goods or services; or

21 (b) The use of a wallet.

22 (2) Digital assets used as a method of payment shall not be subject to additional  
23 taxes, withholdings, assessments, or charges that are based solely on the use of  
24 the digital asset as the method of payment.

25 (3) This section shall not prohibit the imposition or collection of taxes, withholdings,  
26 assessments, or charges on digital assets used as the method of payment when the  
27 same imposition and collections of taxes, withholdings, assessments, or charges

1 are made on similar transactions which use the legal tender of the United States  
2 as the method of payment.

3 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 369 IS CREATED TO  
4 READ AS FOLLOWS:

5 (1) Home digital asset mining shall be allowed when:

6 (a) Compliant with the most lenient noise pollution local ordinance for a  
7 residential zoning designation; or

8 (b) There is no local ordinance regarding zoning.

9 (2) A digital asset mining business shall be allowed when compliant with the most  
10 lenient noise pollution local ordinance for an industrial zoning designation.

11 (3) The local zoning for home digital asset mining or a digital asset mining business:

12 (a) Shall not be changed from its original designation without going through  
13 the proper notice and comment established by the local government;

14 (b) May be appealed to the proper court of jurisdiction; and

15 (c) Shall be reversed upon a finding of the court that the change occurred to  
16 discriminate against the home digital asset mining or a digital asset mining  
17 business.

18 ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 369 IS CREATED TO  
19 READ AS FOLLOWS:

20 (1) The operation of a node shall be allowed to:

21 (a) Connect to a blockchain protocol or a protocol built on top of a blockchain  
22 protocol;

23 (b) Transfer digital assets on a blockchain protocol; or

24 (c) Participate in staking on a blockchain protocol.

25 (2) The Attorney General may initiate any action under KRS 367.110 to KRS 367.300  
26 relating to offering or providing to individuals or other businesses:

27 (a) Digital asset mining; or

1        **(b) Staking as a service.**

2        **(3) A person:**

3            **(a) Engaged in or providing digital asset mining;**

4            **(b) Operating a node or series of nodes on a blockchain network; or**

5            **(c) Providing staking as a service;**

6            **shall have no liability for a specific transaction if the person only validates the**  
 7            **transaction.**

8        ➔Section 5. KRS 286.11-007 is amended to read as follows:

9        This subtitle does not apply to:

- 10        (1) The United States or any department, agency, or instrumentality thereof;
- 11        (2) The United States Post Office or a contractor acting on behalf of the United States  
 12        Post Office;
- 13        (3) A state or any agency, department, or political subdivision of a state;
- 14        (4) A financial institution or its subsidiaries, affiliates, and service corporations, or any  
 15        office of an international banking corporation, branch of a foreign bank, or  
 16        corporation organized pursuant to the Bank Service Corporation Act, 12 U.S.C.  
 17        secs. 181 to 1867, or a corporation organized under the Edge Act, 12 U.S.C. secs.  
 18        611 to 633;
- 19        (5) A service provider that:
- 20            (a) Pursuant to a written agreement, acts on behalf of an entity exempt from  
 21            licensure as set forth in subsection (4) of this section; and
- 22            (b) Allows the state or federal regulators with regulatory jurisdiction over the  
 23            exempt entity to examine and inspect the service provider's applicable  
 24            records, books, and transactions;
- 25        (6) A service provider that receives money or monetary value on behalf of an entity  
 26        selling goods or services other than money transmission services if:
- 27            (a) The entity, upon receipt of funds by the service provider, immediately either:

- 1           1. Provides the purchased goods or services to the purchaser; or
- 2           2. Credits the purchaser for the full amount of money or monetary value
- 3                 received by the service provider, which credit is not revocable by the
- 4                 entity, and evidences this credit in writing; and
- 5           (b) The entity is obligated to provide the purchased goods or services to the
- 6                 purchaser regardless of whether or not the service provider transmits the
- 7                 money or monetary value to the entity;~~[-or]~~
- 8       (7) The provision of electronic transfer of government benefits for any federal, state, or
- 9                 county governmental agency as defined in Federal Reserve Board Regulation E, by
- 10                a contractor for and on behalf of the United States or any department, agency, or
- 11                instrumentality thereof, or any state or any political subdivisions thereof; or

12       **(8) (a) Any person that:**

- 13                 **1. Is engaged in home digital asset mining or a digital asset mining**
- 14                 **business; or**
- 15                 **2. Operates a node or series of nodes on a blockchain protocol.**

16       **(b) As used in this subsection, the following have the same meaning as in**

17                 **Section 1 of this Act:**

- 18                 **1. "Digital asset mining business";**
- 19                 **2. "Home digital asset mining"; and**
- 20                 **3. "Node."[-]**

21       ➔Section 6. KRS 292.340 is amended to read as follows:

22       **(1)** It is unlawful for any person to offer or sell any security in this state, unless the

23                 security is registered under this chapter, or the security or transaction is exempt

24                 under this chapter, or the security is a covered security.

25       **(2) (a) A business that offers to provide digital asset mining or staking as a service**

26                 **to any person shall not be deemed to be offering or selling a security under**

27                 **this chapter.**

1        (b) As used in this subsection, the following have the same meaning as in

2        Section 1 of this Act:

3        1. "Digital asset mining"; and

4        2. "Staking as a service."