

FIRST ENGROSSMENT

ENGROSSED HOUSE BILL NO. 1239

Introduced by

Representatives Toman, Christy, Hagert, Schauer, Warrey, D. Johnston

Senators Barta, Cory, Paulson

1 A BILL for an Act to create and enact a new section to chapter 11-33, a new section to chapter
2 40-47, a new chapter to title 51, and a new section to chapter 58-03 of the North Dakota
3 Century Code, relating to blockchain technology and protection for digital asset mining.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1.** A new section to chapter 11-33 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Protection for digital asset mining.**

- 8 1. An individual may not be prohibited, restricted, or otherwise prevented from
9 participating in digital asset mining in an area zoned for residential use if the individual
10 engaging in digital asset mining complies with all county noise ordinances.
- 11 2. In an area zoned for commercial use, a county may not:
- 12 a. Place a limit on sound decibels generated from a digital asset mining business
13 which is more restrictive than limits imposed for sound pollution in that area
14 generally.
- 15 b. Place restrictions on a digital asset mining business which do not apply to other
16 businesses in that area.
- 17 c. Change the zoning of a digital asset mining business without providing notice and
18 an opportunity for comment.
- 19 3. A digital asset mining business may appeal a change in zoning to the district court.
- 20 4. For purposes of this section:

- 1 a. "Digital asset mining" means using computer hardware and software specifically
2 designed or used for the purpose of validating data and securing a blockchain
3 network.
- 4 b. "Digital asset mining business" means an individual or company operating a
5 digital asset mining facility that cumulatively draws more than one megawatt of
6 power in the state.

7 **SECTION 2.** A new section to chapter 40-47 of the North Dakota Century Code is created
8 and enacted as follows:

9 **Protection for digital asset mining.**

- 10 1. An individual may not be prohibited, restricted, or otherwise prevented from
11 participating in digital asset mining in an area zoned for residential use if the individual
12 engaging in digital asset mining complies with all city noise ordinances.
- 13 2. In an area zoned for commercial use, a city may not:
- 14 a. Place a limit on sound decibels generated from a digital asset mining business
15 which is more restrictive than limits imposed for sound pollution in that area
16 generally.
- 17 b. Place restrictions on a digital asset mining business which do not apply to other
18 businesses in that area.
- 19 c. Change the zoning of a digital asset mining business without providing notice and
20 an opportunity for comment.
- 21 3. A digital asset mining business may appeal a change in zoning to the district court.
- 22 4. For purposes of this section:
- 23 a. "Digital asset mining" means using computer hardware and software specifically
24 designed or used for the purpose of validating data and securing a blockchain
25 network.
- 26 b. "Digital asset mining business" means an individual or company operating a
27 digital asset mining facility that cumulatively draws more than one megawatt of
28 power in the state.

29 **SECTION 3.** A new chapter to title 51 of the North Dakota Century Code is created and
30 enacted as follows:

1 **Definitions.**

2 In this chapter, unless the context of use clearly requires otherwise:

3 1. "Blockchain protocol" means any executable software deployed to a blockchain,
4 including an additional standardized set of rules that use a previously existing
5 blockchain as a base and which facilitate the transfer of data and electronic records
6 and allow that data to be broadcast to nodes.

7 2. "Central bank digital currency" means a digital currency, a digital medium of exchange,
8 or a digital monetary unit of account issued by the United States federal reserve
9 system or a federal agency which is made directly available to institutions or
10 consumers by those entities, or which is processed or validated directly by those
11 entities. The term does not include a digital asset backed by legal tender or
12 government treasuries and issued by a private entity.

13 3. "Digital asset" means virtual currency, cryptocurrencies, natively electronic assets,
14 including stablecoins and nonfungible tokens, and other digital-only assets that confer
15 economic, proprietary, or access rights or powers.

16 4. "Governing authority" means any state agency or board, commission, or department
17 or any political subdivision.

18 5. "Hardware wallet" means a physical device that is not continuously connected to the
19 internet and allows an individual to secure and transfer digital assets. The term
20 includes a physical device under which the owner of digital assets retains independent
21 control over the digital assets.

22 6. a. "Node" means a computational device that:

23 (1) Communicates with other devices or participants on a blockchain to
24 maintain consensus and integrity of that blockchain;

25 (2) Creates and validates transaction blocks; or

26 (3) Contains and updates a copy of a blockchain.

27 b. A node does not exercise discretion over transactions initiated by the end user of
28 the blockchain protocol.

29 7. "Self-hosted wallet" means a digital interface used to:

30 a. Secure and transfer digital assets; and

1 b. Retain independent control over the secured digital assets by the owner of the
2 digital asset.

3 8. "Staking" means committing digital assets to a blockchain network to participate in the
4 blockchain network's operations by validating transactions and securing the network.

5 **Prohibitions on use and testing of central bank digital currency.**

6 1. A governing authority may not accept or require a payment using central bank digital
7 currency.

8 2. A governing authority may not participate in any test of central bank digital currency by
9 the board of governors of the federal reserve system or any branch or agency of the
10 federal government.

11 **Permitted uses of digital assets.**

12 A governing authority may not prohibit, restrict, or otherwise impair the ability of an
13 individual or business to accept digital assets as a method of payment for legal goods and
14 services.

15 **Access to blockchain protocols and transfer of digital assets.**

16 A person may:

17 1. Operate a node for the purpose of connecting to a blockchain protocol and
18 participating in the blockchain protocol's operations.

19 2. Develop software on a blockchain protocol.

20 3. Participate in staking on a blockchain protocol.

21 **SECTION 4.** A new section to chapter 58-03 of the North Dakota Century Code is created
22 and enacted as follows:

23 **Protection for digital asset mining.**

24 1. An individual may not be prohibited, restricted, or otherwise prevented from
25 participating in digital asset mining in an area zoned for residential use if the individual
26 engaging in digital asset mining complies with all township noise ordinances.

27 2. In an area zoned for commercial use, a township may not:

28 a. Place a limit on sound decibels generated from a digital asset mining business
29 which is more restrictive than limits imposed for sound pollution in that area
30 generally.

- 1 b. Place restrictions on a digital asset mining business which do not apply to other
2 businesses in that area.
- 3 c. Change the zoning of a digital asset mining business without providing notice and
4 an opportunity for comment.
- 5 3. A digital asset mining business may appeal a change in zoning to the district court.
- 6 4. For purposes of this section:
- 7 a. "Digital asset mining" means using computer hardware and software specifically
8 designed or used for the purpose of validating data and securing a blockchain
9 network.
- 10 b. "Digital asset mining business" means an individual or company operating a
11 digital asset mining facility that cumulatively draws more than one megawatt of
12 power in the state.