

SENATE BILL 2370

By Watson

AN ACT to amend Tennessee Code Annotated, Title 5;
Title 6; Title 7; Title 13; Title 45; Title 47; Title 48
and Title 67, relative to digital assets.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 47, is amended by adding the following
as a new chapter:

47-19-101.

This chapter is known and may be cited as the "Blockchain Basics Act."

47-19-102.

As used in this chapter:

(1) "Blockchain" means a distributed digital record of controllable
electronic record transactions;

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

(3) "Control":

(A)

(i) Means that a person has, with respect to a controllable
electronic record:

(a) The power to derive substantially all the benefit
from the controllable electronic record;

(b) Subject to subdivision (3)(B), the exclusive power to prevent others from deriving substantially all the benefit from the controllable electronic record; and

(c) Subject to subdivision (3)(B), the exclusive power to transfer control of the controllable electronic record to another person or cause another person to obtain control of a controllable electronic record that derives from the controllable electronic record; and

(ii)

(a) The controllable electronic record, a record attached to or logically associated with the controllable electronic record, or the system in which the controllable electronic record is recorded, if any, that enables the person to readily identify itself as having the powers described in subdivisions (3)(A)(i)(a)-(c); such identification can be made in any way, including by name, identifying number, cryptographic key, office, or account number; or

(b) Another person obtains control of the controllable electronic record on behalf of the person, or having previously obtained control of the controllable electronic record, acknowledges that it has control on behalf of the person; and

(B) For purposes of the exclusive powers described in subdivisions (3)(A)(i)(b) and (c), such power can be exclusive even if:

(i) The controllable electronic record or the system in which it is recorded, if any, limits the use to which the controllable electronic record may be put or has protocols that are programmed to result in a transfer of control; and

(ii) The person has agreed to share the power with another person;

(4) "Controllable electronic record" means an electronic record that can be subjected to control;

(5) "Digital asset mining" means using electricity to power a computer for the purpose of securing a blockchain network and generating a controllable electronic record;

(6) "Digital asset mining business" means a group of computers working at a single site that consume more than one (1) megawatt of energy on an average annual basis for the purpose of securing a blockchain protocol and generating controllable electronic records;

(7) "Hardware storage wallet" means a physical device that is not continuously connected to the internet and allows an individual to secure and transfer controllable electronic records;

(8) "Home digital asset mining" means digital asset mining in an area zoned for residential use;

(9) "Node" means a computational device that communicates with other devices, participates on a blockchain to maintain consensus and integrity of that blockchain, creates and validates transaction blocks, or contains and updates a copy of a blockchain;

(10) "Self-hosted wallet" means a digital interface used to secure and transfer controllable electronic records and under which the owner of the controllable electronic record retains independent control over the controllable electronic record that is secured by such digital interface;

(11) "Staking" means the act of committing controllable electronic records for a period of time to validate and secure a specific blockchain network; and

(12) "Staking as a service" means the provision of technical staking services, including the operation of nodes and the associated infrastructure necessary to facilitate participation in blockchain networks' consensus mechanisms.

47-19-103.

(a) An individual may:

(1) Engage in home digital asset mining as long as the individual complies with all local noise ordinances; and

(2) Operate a node for the purpose of connecting to a blockchain protocol or a protocol built on top of a blockchain protocol and transferring digital assets on a blockchain protocol, or participating in staking on a blockchain protocol.

(b) An individual engaged in home digital asset mining, a digital asset mining business, or operating a node or a series of nodes on a blockchain protocol is not required to obtain a license under the Money Transmission Modernization Act, compiled in title 45, chapter 7.

47-19-104.

A digital asset mining business may engage in digital asset mining in any area that is zoned for industrial use.

47-19-105.

(a) A political subdivision shall not:

(1) Set a specific limit on sound decibels generated from home digital asset mining other than the limits set by the political subdivision for sound pollution generally;

(2) Set a specific limit on sound decibels generated from a digital asset mining business other than limits set for sound pollution that apply to industrial-zoned areas generally;

(3) Impose any requirement on a digital asset mining business that is not also a requirement for data centers within the area of jurisdiction for such political subdivision; or

(4) Make a zoning change to an area with a digital asset mining business without conducting all required notice and hearing procedures. A digital asset mining business may appeal such zoning change to the proper court of jurisdiction. A judge of such court shall reject such zoning change if the change was made to discriminate against a digital asset mining business.

(b) This state, or a political subdivision of this state, shall not:

(1) Prohibit, restrict, or otherwise impair the ability of an individual to use:

(A) A controllable electronic record to purchase legal goods or services; or

(B) A self-hosted wallet or third-party or hardware storage wallet for self-custody of controllable electronic records; or

(2) Impose any additional tax, withholding, assessment, or charge on a controllable electronic record used as a method of payment based solely on the use of the controllable electronic record as the method of payment; provided, that

this subdivision (b)(2) does not prohibit this state or a political subdivision of this state from imposing or collecting a tax, withholding, assessment, or charge that would otherwise be collected if the transaction had taken place using legal tender.

47-19-106.

A business offering to provide staking as a service for individuals or other businesses must not be deemed to be offering a security under the Tennessee Securities Act of 1980, compiled in title 48, chapter 1, part 1.

SECTION 2. This act takes effect July 1, 2024, the public welfare requiring it.