PREPARED BY: DATE PREPARED: PHONE: Nikki Swope January 26, 2024 402-471-0042

**LB 991** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2024-25		FY 2025-26				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS							
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS							

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 991 adopts the Blockchain Basics Act (Act). The Act establishes requirements, defines terms, and provides prohibitions regarding the State or any political subdivision.

In addition, the Act provides that controllable electronic record used as a method of payment shall not be subject to any Nebraska income tax for any transaction valued at two hundred dollars or less.

The Department of Revenue does not anticipate any increases in revenue as a result of this Act. There is no basis to disagree with the Department of Revenue's assessment.

The Department of Banking was unable to submit a fiscal note by the time of posting. It is unknown if there would be any fiscal impact to the agency.

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ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 991 AM: AGENCY/POLT. SUB: Department of Revenue						
REVIEWED BY: Ryan Walton		DATE: 1/26/2024	PHONE: (402) 471-4174			
COMMENTS: The Department of Revenue's assessment of no fiscal impact from LB 991 appears reasonable.						

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State Agency Estimate							
State Agency Name: Department of	f Revenue				Date Due LFO:		
Approved by: James R. Kamm		Date Prepared:	01/26/2024		Phone: 471-5896		
	FY 2024	FY 2024-2025		<u>5-2026</u>	FY 2026-2027		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$ 0		\$ 0		\$ 0	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$ 0		\$ 0		\$ 0	

LB 991 adopts the Blockchain Basics Act (Act). Under the Act, the State or any political subdivision thereof must 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. Self-hosted, 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.

The Act defines a controllable electronic record as having the same meaning as in Neb. Rev. Stat. § 8-3003. Hardware storage wallet is defined as a physical device that is not continuously connected to the Internet and allows an individual to secure and transfer controllable electronic records.

In addition, the Act provides that controllable electronic records used as a method of payment must not be subject to any Nebraska income tax for any transaction valued at \$200 or less. For calendar years 2025 and after, the \$200 limit must be adjusted by the percentage change in the Consumer Price Index from the 12 months ending August 31, 2023, to the 12 months ending on August 31 of the year preceding the applicable calendar year.

The Act does not prohibit the State or any political subdivision from imposing or collecting a tax, withholding, assessment, or charge that would otherwise be collected if the transaction had taken place with United States currency.

The Act also provides the follow:

- Individuals may:
  - (a) Engage in home digital asset mining as long as the individual complies with all local noise ordinances; and
  - (b) 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 to participate in staking on a blockchain protocol.

Major Objects of Expenditure							
Class Code	Classification Title	24-25 <u>FTE</u>	25-26 <u>FTE</u>	26-27 <u>FTE</u>	24-25 Expenditures	25-26 Expenditures	26-27 Expenditures
Benefits				<u> </u>			
Operating Costs	Operating Costs.						
Travel							
Capital Improvements.							
Total							

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• Individuals engaging in home digital asset mining, a digital asset mining business, or operating a node or a series of nodes on a blockchain protocol are not required to obtain a license under the Nebraska Money Transmitters Act.

- Businesses offering to provide staking as a service for individuals or other businesses must not be considered as offering a security under the Securities Act of Nebraska.
- Digital asset mining businesses may engage in digital asset mining in areas zoned for industrial use.
- Political subdivisions are prohibited from certain actions related to the above businesses.

The Act defines blockchain, blockchain protocol, controllable electronic record, digital asset mining, digital asset mining business; hardware storage wallet, home digital asset mining; node; self-hosted wallet; staking; and staking as a service.

It is estimated that LB 991 will have no impact on General Fund revenues.

It is estimated that there will be no cost to the Department of Revenue to implement LB 991.