Senate Bill 164
Recognizes certain virtual currencies as a form of intangible personal property for purposes of taxation. (BDR 32-878)

Sponsored by: Senator Kieckhefer
Date Heard: March 12, 2019
Effect on the State: No.

Summary
Shares of stock and certain other forms of intangible personal property are exempt from property taxation under existing law. (Nev. Const. Art. 10, §1; NRS 361.228) This bill clarifies that certain virtual currencies are intangible personal property for this purpose. This bill defines “virtual currency” to mean a digital representation of value that: (1) is created, issued and maintained on a public blockchain; (2) is not attached to a tangible asset or fiat currency; (3) is accepted as a means of payment; and (4) may only be transferred, stored or traded electronically.

Testimony
Primary testimony in support of the bill provided by:
Senator Ben Kieckhefer
Matthew Digesti, Blockchains LLC

Additional Testimony in support provided by:
Elisa Cafferata, Nevada Technology Association, Inc.
Tyson Falk, Figure Technologies
Ethan Clift, Filament

No testimony was presented in opposition or as neutral to the bill.

Amendments
Subsequent to the hearing on the bill, Senator Kieckhefer brought forward one proposed amendment, which is attached to this work session document and also summarized below.

The proposed amendment clarifies the definition of “public blockchain” by adding a definition of “unaffiliated computers or machines.”

Page 2, at Line 33: Amend Section 1, subsection 4, which defines certain terms as used in NRS 361.228 as amended by this bill, by inserting the following definition:

- “Unaffiliated computers or machines” means computers or machines that are not under common ownership or control.
Proposed Amendment to S.B. 164

Prepared for Senator Kieckhefer

Explanation:
This proposed amendment clarifies the definition of “public blockchain” by adding a definition of “unaffiliated computers or machines.”

S.B. 164

SENATE BILL NO. 164–SENATOR KIECKHEFER

FEBRUARY 14, 2019

Referred to Committee on Revenue and Economic Development

SUMMARY—Recognizes certain virtual currencies as a form of intangible personal property for purposes of taxation. (BDR 32-878)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

AN ACT relating to taxation; clarifying that certain virtual currencies are intangible personal property for the purposes of taxation; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:
1 Shares of stock and certain other forms of intangible personal property are exempt from property taxation under existing law. (Nev. Const. Art. 10, §1; NRS 361.228) This bill clarifies that certain virtual currencies are intangible personal property for this purpose. This bill defines “virtual currency” to mean a digital representation of value that: (1) is created, issued and maintained on a public blockchain; (2) is not attached to a tangible asset or fiat currency; (3) is accepted as a means of payment; and (4) may only be transferred, stored or traded electronically.
THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 361.228 is hereby amended to read as follows:

1. All intangible personal property is exempt from taxation, including, without limitation:
   (a) Shares of stock, bonds, mortgages, notes, bank deposits, virtual currencies, book accounts such as an acquisition adjustment and credits, and securities and choses in action of like character; and
(b) Goodwill, customer lists, contracts and contract rights, patents, trademarks, trade names, custom computer programs, copyrights, trade secrets, franchises and licenses.

2. The value of intangible personal property must not enhance or be reflected in the value of real property or tangible personal property.

3. The attributes of real property, such as zoning, location, water rights, view and geographic features, are not intangible personal property and must be considered in valuing the real property, if appropriate.

4. As used in this section:
   (a) “Public blockchain” means an electronic record of transactions or other data which:
       (1) Is uniformly ordered;
       (2) Is processed using a decentralized method by which two or more unaffiliated computers or machines verify the recorded transactions or other data;
       (3) Is redundantly maintained by two or more unaffiliated computers or machines to guarantee the consistency or nonrepudiation of the recorded transactions or other data;
       (4) Is validated by the use of cryptography; and
       (5) Does not restrict the ability of any computer or machine to:
           (I) View the network on which the record is maintained;
           or
           (II) Maintain or validate the state of the public blockchain.
   (b) “State of the public blockchain” means the cumulative record of data on a public blockchain, consisting of the first block of the public blockchain, all finalized transactions on the public blockchain and all block rewards recorded on the public blockchain.
   (c) “Unaffiliated computers or machines” means computers or machines that are not under common ownership or control.
   (d) “Virtual currency” means a digital representation of value that:
       (1) Is created, issued and maintained on a public blockchain;
       (2) Is not attached to any tangible asset or fiat currency;
       (3) Is accepted as a means of payment; and
       (4) May only be transferred, stored or traded electronically.

Sec. 2. This act becomes effective on July 1, 2019.