

JAN 21 2022

A BILL FOR AN ACT

RELATING TO VIRTUAL CURRENCY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that people's interest in
2 virtual currency has skyrocketed. In 2021, Bitcoin hit multiple
3 all-time high prices and more institutional buy-in from major
4 companies. Unlike dollar bills and coins, virtual currencies
5 are not issued or backed by the United States government or any
6 other government or central bank. Bitcoin and other virtual
7 currencies are a form of digital currency used in electronic
8 payment transactions. There are no coins, paper money, or banks
9 involved; zero to minimal transaction fees; transactions are
10 fast and not bound by geography; and similar to using cash,
11 transactions are anonymous.

12 The legislature further finds that thirty-three states and
13 Puerto Rico introduced legislation in the 2021 legislative
14 session relating to virtual currency. Seventeen of those states
15 enacted legislation or adopted resolutions relating to virtual
16 currency, including Hawaii. In 2021, the house of
17 representatives adopted House Resolution No. 94, H.D. 1,



1 requesting the department of commerce and consumer affairs to
2 reconsider its 2016 ruling on asset reserve requirements for
3 digital currency companies, virtual currency companies, and
4 cryptocurrency companies to conduct business in Hawaii and to
5 align the State's asset reserve requirements for these companies
6 with the asset reserve requirements in other states.

7 The purpose of this Act is to allow the director of finance
8 to:

- 9 (1) Authorize any state agency to enter into virtual
10 currency payment agreements with persons or virtual
11 currency issuers to provide the acceptance of virtual
12 currency as a means of payment; and
13 (2) Allow any state agency that enters into a virtual
14 currency payment agreement with a person or virtual
15 currency issuer to accept virtual currency.

16 SECTION 2. Chapter 36, Hawaii Revised Statutes, is amended
17 by adding a new section to part I to be appropriately designated
18 and to read as follows:

19 "§36- Authorization to enter into virtual currency
20 payment agreement. (a) Upon the determination that it is in
21 the best interest of the State the director of finance may



1 authorize any state agency to enter into virtual currency
2 payment agreements with persons or virtual currency issuers to
3 provide for the acceptance of convertible virtual currency as a
4 means of payment for goods and services and of fines, civil
5 penalties, rent, rates, taxes, fees, charges, revenue, financial
6 obligations or other amounts, including penalties, special
7 assessments, and interest, owed to the state agency. Every
8 virtual currency payment agreement shall be approved by the
9 director of finance and shall govern the terms and conditions
10 upon which convertible virtual currency proffered as a means of
11 payment shall be accepted or declined and the manner in and
12 conditions under which the person or virtual currency issuer
13 shall make payment to the state agency by means of convertible
14 virtual currency; provided that every virtual currency payment
15 agreement shall contain a provision that requires that any
16 convertible virtual currency received by a state agency as
17 payment shall be converted into United States dollars within
18 twenty-four hours after it is received.

19 (b) Upon the authorization of the director of finance, any
20 state agency that enters into a virtual currency payment
21 agreement with a person or virtual currency issuer may accept



1 convertible virtual currency as a means of payment for any goods
2 or services and of fines, civil penalties, rent, rates, taxes,
3 fees, charges, revenue, financial obligations or other amounts,
4 including penalties, special assessment, or interest, as
5 provided in the virtual currency payment agreement and may pay
6 all fees as specified in the agreement to the person or virtual
7 currency issuer in consideration of the services rendered by the
8 person or virtual currency issuer thereunder. Notwithstanding
9 any other provision of law to the contrary, it shall be the
10 option of the state agency to require, as a condition of
11 accepting payment by convertible virtual currency, that the
12 person or virtual currency issuer offering payment by
13 convertible virtual currency pay a service fee to the state
14 agency not exceeding costs incurred by the state agency in
15 connection with the virtual currency payment transaction,
16 including the amount of any fee owed by the state agency to the
17 virtual currency issuer arising from that transaction.

18 (c) The underlying debt, lien, obligation, bill, account,
19 or other amount owed to the state agency for which payment by
20 convertible virtual currency is accepted by the state agency
21 shall not be expunged, cancelled, released, discharged, or



1 satisfied, and any receipt or other evidence of payment shall be
2 deemed conditional, until the agency has received final and
3 unconditional payment of the full amount due from the person or
4 virtual currency issuer for the virtual currency transaction.

5 (d) The director of finance shall adopt rules pursuant to
6 chapter 91 to carry out this section.

7 (e) For purposes of this section:

8 "Convertible virtual currency" means a virtual currency
9 that has an equivalent value in real currency or acts as a
10 substitute for real currency. "Convertible virtual currency"
11 includes virtual currencies that are used as a medium of
12 exchange, such as digital currency and cryptocurrency.

13 "Cryptocurrency" means a virtual currency that uses
14 cryptography to secure transactions that are digitally recorded
15 on a distributed ledger, such as a blockchain.

16 "Person" means an individual, corporation, government, or
17 governmental subdivision or agency, business trust, estate,
18 trust, partnership, association, or any other legal entity.

19 "Real currency" means a representation of the United States
20 dollar or a foreign currency.



S.B. NO. 2696

1 "Virtual currency" means a digital representation of value
2 that is not a real currency that functions as a unit of account,
3 a store of value, and a medium of exchange.

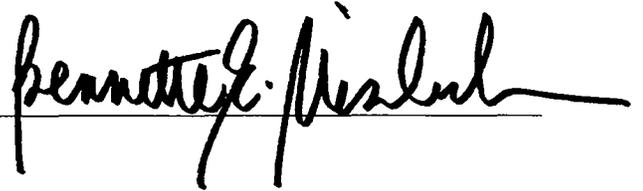
4 "Virtual currency issuer" means an issuer of any form of
5 virtual currency."

6 SECTION 3. New statutory material is underscored.

7 SECTION 4. This Act shall take effect upon its approval.

8

INTRODUCED BY:

A handwritten signature in black ink, appearing to read "Bennett J. Pinal", is written over a horizontal line. The signature is cursive and extends to the right of the line.

S.B. NO. 2696

Report Title:

Virtual Currency; Director of Finance; State Agencies; Payment

Description:

Allows the Director of Finance to authorize any state agency to enter into virtual currency payment agreements with persons or virtual currency issuers to provide the acceptance of convertible virtual currency as a means of payment. Allows any state agency that enters into a virtual currency payment agreement with a person or virtual currency issuer as authorized by the Director of Finance to accept convertible virtual currency.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

