

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 585, As Amended

BY STATE AFFAIRS COMMITTEE

AN ACT

1 RELATING TO DIGITAL ASSETS; AMENDING SECTION 28-1-201, IDAHO CODE, TO RE-
2 VISE A DEFINITION AND TO MAKE TECHNICAL CORRECTIONS; AMENDING SECTION
3 28-5303, IDAHO CODE, TO DEFINE TERMS; AMENDING CHAPTER 53, TITLE 28,
4 IDAHO CODE, BY THE ADDITION OF A NEW SECTION 28-5307, IDAHO CODE, TO
5 PROVIDE FOR THE RIGHT TO MINE DIGITAL ASSETS; AMENDING CHAPTER 53, TITLE
6 28, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 28-5308, IDAHO CODE,
7 TO ESTABLISH PROVISIONS FOR MINING AND TRANSACTING IN DIGITAL ASSETS;
8 AMENDING CHAPTER 53, TITLE 28, IDAHO CODE, BY THE ADDITION OF A NEW
9 SECTION 28-5309, IDAHO CODE, TO ESTABLISH PROVISIONS FOR THE OPERATION
10 OF NODES; AMENDING SECTION 63-602L, IDAHO CODE, TO PROVIDE THAT DIGI-
11 TAL ASSETS USED FOR PAYMENT ARE INTANGIBLE PERSONAL ASSETS EXEMPT FROM
12 TAXATION AND TO MAKE TECHNICAL CORRECTIONS; AMENDING CHAPTER 23, TITLE
13 67, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 67-2360, IDAHO CODE, TO
14 PROHIBIT CERTAIN CENTRAL BANK DIGITAL CURRENCY PAYMENTS; AND PROVIDING
15 AN EFFECTIVE DATE.
16

17 Be It Enacted by the Legislature of the State of Idaho:

18 SECTION 1. That Section 28-1-201, Idaho Code, be, and the same is hereby
19 amended to read as follows:

20 28-1-201. GENERAL DEFINITIONS. (a) Unless the context otherwise re-
21 quires, words or phrases defined in this section, or in the additional defi-
22 nitions contained in other chapters of the uniform commercial code that ap-
23 ply to particular chapters or parts thereof, have the meanings stated.

24 (b) Subject to definitions contained in other articles of the uniform
25 commercial code that apply to particular articles or parts thereof:

26 (1) "Action," in the sense of a judicial proceeding, includes recoup-
27 ment, counterclaim, set-off, suit in equity, and any other proceeding
28 in which rights are determined.

29 (2) "Aggrieved party" means a party entitled to pursue a remedy.

30 (3) "Agreement," as distinguished from "contract," means the bargain
31 of the parties in fact, as found in their language or inferred from other
32 circumstances, including course of performance, course of dealing or
33 usage of trade as provided in section 28-1-303, Idaho Code.

34 (4) "Bank" means a person engaged in the business of banking and in-
35 cludes a savings bank, savings and loan association, credit union, and
36 trust company.

37 (5) "Bearer" means a person in control of a negotiable electronic docu-
38 ment of title or a person in possession of a negotiable instrument, ne-
39 negotiable tangible document of title, or certificated security that is
40 payable to bearer or ~~indorsed~~ endorsed in blank.

41 (6) "Bill of lading" means a document of title evidencing the receipt
42 of goods for shipment issued by a person engaged in the business of di-

1 rectly or indirectly transporting or forwarding goods. The term does
2 not include a warehouse receipt.

3 (7) "Branch" includes a separately incorporated foreign branch of a
4 bank.

5 (8) "Burden of establishing" a fact" means the burden of persuading the
6 trier of fact that the existence of the fact is more probable than its
7 nonexistence.

8 (9) "Buyer in ordinary course of business" means a person that buys
9 goods in good faith, without knowledge that the sale violates the rights
10 of another person in the goods, and in the ordinary course from a person,
11 other than a pawnbroker, in the business of selling goods of that kind.
12 A person buys goods in the ordinary course of business if the sale to
13 the person comports with the usual or customary practices in the kind of
14 business in which the seller is engaged or with the seller's own usual
15 or customary practices. A person that sells oil, gas or other minerals
16 at the wellhead or minehead is a person in the business of selling goods
17 of that kind. A buyer in ordinary course of business may buy for cash,
18 by exchange of other property, or on secured or unsecured credit, and
19 may acquire goods or documents of title under a preexisting contract for
20 sale. Only a buyer that takes possession of the goods or has a right to
21 recover the goods from the seller under chapter 2, title 28, Idaho Code,
22 may be a buyer in ordinary course of business. "Buyer in ordinary course
23 of business" does not include a person that acquires goods in a transfer
24 in bulk or as security for or in total or partial satisfaction of a money
25 debt.

26 (10) "Conspicuous," with reference to a term, means so written, dis-
27 played, or presented that a reasonable person against which it is to op-
28 erate ought to have noticed it. Whether a term is "conspicuous" or not
29 is a decision for the court. Conspicuous terms include the following:

30 (A) A heading in capitals equal to or greater in size than the sur-
31 rounding text, or in contrasting type, font, or color to the sur-
32 rounding text of the same or lesser size; and

33 (B) Language in the body of a record or display in larger type than
34 the surrounding text, or in contrasting type, font, or color to the
35 surrounding text of the same size, or set off from the surrounding
36 text of the same size by symbols or other marks that call attention
37 to the language.

38 (11) "Consumer" means an individual who enters into a transaction pri-
39 marily for personal, family, or household purposes.

40 (12) "Contract," as distinguished from "agreement," means the total le-
41 gal obligation that results from the parties' agreement as determined
42 by the uniform commercial code as supplemented by any other applicable
43 laws.

44 (13) "Creditor" includes a general creditor, a secured creditor, a lien
45 creditor, and any representative of creditors, including an assignee
46 for the benefit of creditors, a trustee in bankruptcy, a receiver in eq-
47 uity, and an executor or administrator of an insolvent debtor's or as-
48 signor's estate.

49 (14) "Defendant" includes a person in the position of defendant in a
50 counterclaim, cross-claim, or third-party claim.

1 (15) "Delivery," with respect to an electronic document of title, means
2 voluntary transfer of control and, with respect to an instrument, a tan-
3 gible document of title, or chattel paper, means voluntary transfer of
4 possession.

5 (16) "Document of title" means a record (i) that in the regular course
6 of business or financing is treated as adequately evidencing that the
7 person in possession or control of the record is entitled to receive,
8 control, hold, and dispose of the record and the goods the record cov-
9 ers and (ii) that purports to be issued by or addressed to a bailee and
10 to cover goods in the bailee's possession which are either identified or
11 are fungible portions of an identified mass. The term includes a bill of
12 lading, transport document, dock warrant, dock receipt, warehouse re-
13 ceipt, and order for delivery of goods. An electronic document of title
14 means a document of title evidenced by a record consisting of informa-
15 tion stored in an electronic medium. A tangible document of title means
16 a document of title evidenced by a record consisting of information that
17 is inscribed on a tangible medium.

18 (17) "Fault" means a default, breach, or wrongful act or omission.

19 (18) "Fungible goods" means:

20 (A) Goods of which any unit, by nature or usage of trade, is the
21 equivalent of any other like unit; or

22 (B) Goods that by agreement are treated as equivalent.

23 (19) "Genuine" means free of forgery or counterfeiting.

24 (20) "Good faith" means honesty in fact in the conduct or transaction
25 concerned.

26 (21) "Holder" means:

27 (A) The person in possession of a negotiable instrument that is
28 payable either to bearer or to an identified person that is the
29 person in possession;

30 (B) The person in possession of a negotiable tangible document of
31 title if the goods are deliverable either to bearer or to the order
32 of the person in possession; or

33 (C) The person in control of a negotiable electronic document of
34 title.

35 (22) "Insolvency proceeding" includes an assignment for the benefit of
36 creditors or other proceeding intended to liquidate or rehabilitate the
37 estate of the person involved.

38 (23) "Insolvent" means:

39 (A) Having generally ceased to pay debts in the ordinary course of
40 business other than as a result of bona fide dispute;

41 (B) Being unable to pay debts as they become due; or

42 (C) Being insolvent within the meaning of federal bankruptcy law.

43 (24) "Money" means a medium of exchange currently authorized or adopted
44 by a domestic or foreign government. The term includes a monetary
45 unit of account established by an intergovernmental organization or by
46 agreement between two (2) or more countries. The term does not include
47 a central bank digital currency as defined in section 67-2360, Idaho
48 Code.

49 (25) "Organization" means a person other than an individual.

1 (26) "Party," as distinguished from "third party," means a person that
2 has engaged in a transaction or made an agreement subject to the uniform
3 commercial code.

4 (27) "Person" means an individual, corporation, business trust, es-
5 tate, trust, partnership, limited liability company, association,
6 joint venture, government, governmental subdivision, agency, or in-
7 strumentality, public corporation, or any other legal or commercial
8 entity.

9 (28) "Present value" means the amount as of a date certain of one (1)
10 or more sums payable in the future, discounted to the date certain by
11 use of either an interest rate specified by the parties if that rate is
12 not manifestly unreasonable at the time the transaction is entered into
13 or, if an interest rate is not so specified, a commercially reasonable
14 rate that takes into account the facts and circumstances at the time the
15 transaction is entered into.

16 (29) "Purchase" means taking by sale, lease, discount, negotiation,
17 mortgage, pledge, lien, security interest, issue or reissue, gift, or
18 any other voluntary transaction creating an interest in property.

19 (30) "Purchaser" means a person that takes by purchase.

20 (31) "Record" means information that is inscribed on a tangible medium
21 or that is stored in an electronic or other medium and is retrievable in
22 perceivable form.

23 (32) "Remedy" means any remedial right to which an aggrieved party is
24 entitled with or without resort to a tribunal.

25 (33) "Representative" means a person empowered to act for another,
26 including an agent, an officer of a corporation or association, and a
27 trustee, executor, or administrator of an estate.

28 (34) "Rights" includes remedy.

29 (35) "Security interest" means an interest in personal property or fix-
30 tures which secures payment or performance of an obligation. "Security
31 interest" includes any interest of a consignor and a buyer of accounts,
32 chattel paper, a payment intangible, or a promissory note in a trans-
33 action that is subject to chapter 9, title 28, Idaho Code. "Security
34 interest" does not include the special property interest of a buyer
35 of goods on identification of those goods to a contract for sale under
36 section 28-2-401, Idaho Code, but a buyer may also acquire a "security
37 interest" by complying with chapter 9, title 28, Idaho Code. Except
38 as otherwise provided in section 28-2-505, Idaho Code, the right of a
39 seller or lessor of goods under chapter 2 or chapter 12, title 28, Idaho
40 Code, to retain or acquire possession of the goods is not a "security
41 interest," but a seller or lessor may also acquire a "security interest"
42 by complying with chapter 9, title 28, Idaho Code. The retention or
43 reservation of title by a seller of goods notwithstanding shipment or
44 delivery to the buyer under section 28-2-401, Idaho Code, is limited in
45 effect to a reservation of a "security interest." Whether a transaction
46 in the form of a lease creates a "security interest" is determined pur-
47 suant to section 28-1-203, Idaho Code.

48 (36) "Send" in connection with a writing, record, or notice means:

49 (A) To deposit in the mail or deliver for transmission by any other
50 usual means of communication with postage or cost of transmission

1 provided for and properly addressed and, in the case of an instru-
 2 ment, to an address specified thereon or otherwise agreed, or if
 3 there be none to any address reasonable under the circumstances;
 4 or

5 (B) In any other way to cause to be received any record or notice
 6 within the time it would have arrived if properly sent.

7 (37) "Signed" includes using any symbol executed or adopted with
 8 present intention to adopt or accept a writing.

9 (38) "State" means a state of the United States, the District of Colum-
 10 bia, Puerto Rico, the United States Virgin Islands, or any territory or
 11 insular possession subject to the jurisdiction of the United States.

12 (39) "Surety" includes a guarantor or other secondary obligor.

13 (40) "Term" means a portion of an agreement that relates to a particular
 14 matter.

15 (41) "Unauthorized signature" means a signature made without actual,
 16 implied, or apparent authority. The term includes a forgery.

17 (42) "Warehouse receipt" means a document of title issued by a person
 18 engaged in the business of storing goods for hire.

19 (43) "Written" or "writing" includes printing, typewriting, or any
 20 other intentional reduction to tangible form.

21 SECTION 2. That Section 28-5303, Idaho Code, be, and the same is hereby
 22 amended to read as follows:

23 28-5303. DEFINITIONS. As used in this chapter:

24 (1) "Adverse claim" means a claimant that has a property interest in a
 25 virtual currency or a right to payment evidenced by the virtual currency.

26 (2) "Blockchain" means data that is shared across a network to create a
 27 ledger of verified transactions or information among network participants
 28 linked using cryptography to maintain the integrity of the ledger and to
 29 execute other functions and that is distributed among network participants
 30 in an automated fashion to concurrently update network participants on the
 31 state of the ledger and any other functions.

32 (3) "Blockchain protocol" means any executable software deployed to a
 33 blockchain composed of source code that is publicly available and accessi-
 34 ble, including a smart contract or any network of smart contracts.

35 ~~(2)~~ (4) "Control" means the ability to exclude others from the use of
 36 property and includes the following:

37 (a) A secured party, or an agent, custodian, fiduciary, or trustee of
 38 the party, that has complied with section 28-8-106, Idaho Code, includ-
 39 ing by means of a private key or the use of a multi-signature arrangement
 40 exclusive to the secured party or any substantially similar analogue;
 41 and

42 (b) A smart contract created by a secured party to comply with section
 43 28-8-106, Idaho Code. As used in this paragraph, "smart contract" means
 44 an automated transaction as described in section 28-50-114, Idaho Code,
 45 or any substantially similar analogue comprised of code, script, or
 46 programming language that executes the terms of an agreement and may in-
 47 clude taking custody of and transferring an asset or issuing executable
 48 instructions for these actions, based on the occurrence or nonoccu-
 49 rence of specified conditions.

1 (5) "Data center" means a building or premises in which the majority of
2 the use of the building or premises is occupied by computers, telecommunica-
3 tions, or related equipment, including supporting equipment, where informa-
4 tion is processed, transferred, and sorted.

5 ~~(3)~~ (6) "Digital asset" means a representation of economic, propri-
6 etary, or access rights that is stored in a computer-readable format and
7 includes an open blockchain token, digital commodity, digital security,
8 virtual currency, and any other controllable electronic record.

9 (7) "Digital asset mining" means the use of electricity to power a com-
10 puter for the purpose of securing a blockchain network.

11 (8) "Digital asset mining business" means a group of computers working
12 at a single site that consumes more than one (1) megawatt of energy on an av-
13 erage annual basis for the purpose of generating digital assets by securing a
14 blockchain network.

15 ~~(4)~~ (9) "Digital security" means a digital asset that constitutes a se-
16 curity as defined in section 30-14-102, Idaho Code.

17 (10) "Hardware wallet" means a physical device that is not continuously
18 connected to the internet and allows an individual to secure and transfer
19 digital assets, and under which the owner of the digital assets retains in-
20 dependent control over the digital assets.

21 (11) "Discriminatory rates" means electricity rates substantially
22 different from other similar industrial uses of electricity in similar geo-
23 graphic areas after accounting for the cost of service.

24 ~~(5)~~ (12) "Multi-signature arrangement" means a system of access con-
25 trol relating to a digital asset for the purposes of preventing unauthorized
26 transactions relating to the asset in which two (2) or more private keys are
27 required to conduct a transaction or any other substantially similar ana-
28 logue.

29 (13) "Node" means a computational device that communicates with other
30 devices or participants on a blockchain to maintain consensus and integrity
31 of that blockchain, that creates and validates transaction blocks, and that
32 contains and updates a copy of a blockchain.

33 ~~(6)~~ (14) "Possession" includes use of a private key, a multi-signature
34 arrangement exclusive to the secured party, a smart contract as defined in
35 this section, or any substantially similar analogue. "Possession" shall
36 also include delivery of certificated digital securities consistent with
37 section 28-8-301(1)(a), Idaho Code.

38 ~~(7)~~ (15) "Private key" means a unique element of cryptographic data or
39 any substantially similar analogue that is:

40 (a) Held by a person;

41 (b) Paired with a unique, publicly available element of cryptographic
42 data; and

43 (c) Associated with an algorithm that is necessary to carry out an en-
44 cryptation or decryption required to execute a transaction.

45 (16) "Self-hosted wallet" means a digital interface used to secure and
46 transfer digital assets, under which the owner of the digital asset retains
47 independent control over the digital assets that are secured by such digital
48 interface.

49 ~~(8)~~ (17) "Virtual currency" means a digital asset that is used as a
50 medium of exchange, unit of account, or store of value.

1 SECTION 3. That Chapter 53, Title 28, Idaho Code, be, and the same is
2 hereby amended by the addition thereto of a NEW SECTION, to be known and des-
3 ignated as Section 28-5307, Idaho Code, and to read as follows:

4 28-5307. RIGHT TO MINE DIGITAL ASSETS. (1) A state agency, a governing
5 body of a city or town, the governing bodies of more than one (1) city or town,
6 a governing body of a county, or any combination of those governing bodies
7 shall not enact an ordinance, resolution, or rule that:

8 (a) Imposes requirements on a digital asset mining business that are
9 not also requirements for data centers in its area of jurisdiction;

10 (b) Places a specific limit on sound decibels generated from a digital
11 asset mining business other than limits set for sound pollution that ap-
12 ply to industrial-zoned areas;

13 (c) Prevents a digital asset mining business from operating in an area
14 zoned for industrial use, provided the digital asset mining business
15 meets the requirements for industrial use; or

16 (d) Prevents digital asset mining at a private residence, provided the
17 digital asset mining meets all applicable noise ordinances.

18 (2) Persons engaged in digital asset mining or a digital asset mining
19 business shall not be required to obtain a money transmitter license pur-
20 suant to section 26-2903, Idaho Code.

21 SECTION 4. That Chapter 53, Title 28, Idaho Code, be, and the same is
22 hereby amended by the addition thereto of a NEW SECTION, to be known and des-
23 ignated as Section 28-5308, Idaho Code, and to read as follows:

24 28-5308. MINING AND TRANSACTING IN DIGITAL ASSETS ALLOWED. The state,
25 a county, a city, or any local political subdivision thereof shall not pro-
26 hibit, restrict, or otherwise impair the ability of a person to use:

27 (1) Digital assets to purchase legal goods or services; or

28 (2) Self-custody digital assets using a self-hosted wallet or hardware
29 wallet.

30 SECTION 5. That Chapter 53, Title 28, Idaho Code, be, and the same is
31 hereby amended by the addition thereto of a NEW SECTION, to be known and des-
32 ignated as Section 28-5309, Idaho Code, and to read as follows:

33 28-5309. OPERATION OF NODES ALLOWED. (1) It shall be legal in the state
34 of Idaho to operate a node for the purpose of connecting to a blockchain pro-
35 tocol, or a protocol built on top of a blockchain protocol, and transferring
36 digital assets on a blockchain protocol.

37 (2) Operating a node or a series of nodes on a blockchain protocol or ef-
38 fectuating the transfer of digital assets shall not require an individual or
39 business to obtain a money transmitter license pursuant to section 26-2903,
40 Idaho Code.

41 SECTION 6. That Section 63-602L, Idaho Code, be, and the same is hereby
42 amended to read as follows:

43 63-602L. PROPERTY EXEMPT FROM TAXATION -- INTANGIBLE PERSONAL PROP-
44 erty. (1) The following intangible personal property is exempt from tax-

1 ation: capital stock and bonds.—~~The~~; deposits in national banks, state
 2 banks, and savings and loan associations.—~~Shares~~; digital assets as defined
 3 in section 28-5303, Idaho Code, when used as tender for executing a purchase
 4 as defined in section 28-1-201, Idaho Code; shares and accounts of savings
 5 and loan associations, credit unions or associations organized under the
 6 laws of the state of Idaho for the purpose of accumulating the savings and
 7 funds of their members and lending the same to their members.—~~Goodwill~~; and
 8 goodwill, customer lists, contracts and contract rights, patents, trade-
 9 marks, custom computer programs as defined in section 63-3616, Idaho Code,
 10 copyrights, trade secrets, franchises, licenses, rights-of-way ~~which that~~
 11 are possessory only and not accompanied by title.

12 (2) The commission shall promulgate rules ~~which that~~ shall provide for
 13 the exclusion of exempt intangible personal property from taxable value of
 14 operating property. Such rules shall allow each taxpayer the right to elect
 15 one (1) of the following three (3) methods for exclusion of exempt intangible
 16 personal property from its taxable value:

17 (a) Separate exclusion of the exempt intangible personal property at
 18 the system level value; or

19 (b) Separate exclusion of the exempt intangible personal property at
 20 the state allocated value; or

21 (c) Exclusion of the exempt intangible personal property by valuation
 22 of only tangible personal property and nonexempt intangible personal
 23 property using valuation models ~~which that~~ do not impound or include
 24 values of the exempt intangible personal property.

25 SECTION 7. That Chapter 23, Title 67, Idaho Code, be, and the same is
 26 hereby amended by the addition thereto of a NEW SECTION, to be known and des-
 27 ignated as Section 67-2360, Idaho Code, and to read as follows:

28 67-2360. CENTRAL BANK DIGITAL CURRENCY PAYMENTS PROHIBITED. (1) For
 29 the purposes of this section, "central bank digital currency" means a digi-
 30 tal currency, a digital medium of exchange, or a digital monetary unit of ac-
 31 count issued by the United States federal reserve system or a federal agency
 32 that is made directly available to a consumer by such entities. The term in-
 33 cludes a digital currency, a digital medium of exchange, or a digital mone-
 34 tary unit of account issued by the United States federal reserve system or a
 35 federal agency, or a digital currency, digital medium of exchange, or digi-
 36 tal monetary unit that is processed or validated directly by such entities.
 37 A central bank digital currency does not mean a digital asset that is issued
 38 by a private entity and is backed by legal tender or government treasuries.

39 (2) The state, a county, a city, or any local political subdivision
 40 thereof shall not:

41 (a) Accept, transact, trade, or exchange central bank digital currency
 42 as a means of payment;

43 (b) Participate in any test of central bank digital currency by any fed-
 44 eral reserve branch;

45 (c) Establish any program that utilizes central bank digital currency;

46 (d) Participate in any federal program that is contingent on the use of
 47 a central bank digital currency; or

48 (e) Accept any federal grant or award that is contingent on the use of a
 49 central bank digital currency.

1 (3) The state shall withdraw from any federal program that requires the
2 use of a central bank digital currency. The provisions of this section shall
3 not apply to any program where the state is granted a waiver that voids the
4 requirement to use a central bank digital currency.

5 (4) Any intentional violation of the provisions of this chapter by a
6 public officer or public employee shall be considered a misuse of public mon-
7 eys pursuant to chapter 57, title 18, Idaho Code.

8 SECTION 8. This act shall be in full force and effect on and after Jan-
9 uary 1, 2025.