OHIO LEGISLATIVE SERVICE COMMISSION

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S.B. 57	**Bill Analysis**
136th General Assembly	

Version: As Introduced

Primary Sponsor: Sen. O'Brien

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SUMMARY

- Requires the state and political subdivisions to accept cryptocurrencies as payment of any tax, fee, cost, charge, assessment, fine or other required payment.

- Requires governmental entities to transfer cryptocurrency received to the Treasurer of State (TOS) for investment.

- Requires TOS to reimburse governmental entities for the value of the cryptocurrency in United States dollars.

- Requires state entities that receive payment via cryptocurrency to convert the cryptocurrency to an equivalent value of bitcoin and transfer the bitcoin to the credit of the Ohio Bitcoin Reserve Fund.

- Requires TOS to reimburse state entities for such bitcoin received.

- Establishes the Ohio Bitcoin Reserve Fund and authorizes the TOS to invest amounts deposited to the fund in bitcoin.

- Requires that any bitcoin acquired as an investment be held for a period of at least five years.

- Requires the bitcoin to be held using a secure custody solution by either the TOS or a qualified custodian.

- Authorizes TOS to accept gifts, grants, and donations of bitcoin.

- Requires TOS to prepare a biennial report on bitcoin held by the state.

- Specifies that any unclaimed or forfeited bitcoin may be transferred to the Ohio Bitcoin Reserve Fund or disposed of via public auction to the highest bidder.

- Names the bill the Ohio Bitcoin Reserve Act.

DETAILED ANALYSIS

Overview

The bill establishes the Ohio Bitcoin Reserve Fund and requires governmental entities to accept cryptocurrencies as payment. Under the bill, "bitcoin" is defined as the decentralized digital asset created by a peer-to-peer network, which operates with no central authority or banks.[1] The definition appears to be broad enough to include both the cryptocurrency colloquially referred to as "bitcoin" and other cryptocurrencies.

Acceptance of cryptocurrency

The bill requires Ohio's state government and all political subdivisions to accept cryptocurrencies for the payment of any tax, fee, cost, charge, assessment, fine or other payment of expense charged by the government entity. Under the bill, a "cryptocurrency" is a digital representation of value to which all of the following apply:

- It functions as a medium of exchange, unit of account, or store of value;

- It may be bought, sold, or traded securely;

- The generation of units is regulated, transactions are verified, and records are maintained by a decentralized system using cryptography, such as blockchain or similar distribution ledger technology

- There is a reasonable expectation that it will maintain a stable value relative to a fixed amount of monetary value;

- It is not a national currency.

The Tax Commissioner, on or before the 30th day of June of each year, is required to approve and publish on the Department of Taxation's website a list of cryptocurrencies that the state and political subdivisions will accept. Government entities may require a person to pay any service fees associated with the cryptocurrency transaction.[2] Accordingly, the bill expands the definition of "financial transaction device" to include devices or methods for making electronic payment to state entities via cryptocurrency.[3]

Procurement of cryptocurrency

Upon receiving cryptocurrency as payment, a government entity is required to transfer the cryptocurrency to the Treasurer of State (TOS) for investment. The TOS is required to reimburse the governmental entity for the value of the cryptocurrency in United States dollars from the Ohio Bitcoin Investment Fund. If the unencumbered balance of the fund is insufficient to reimburse the governmental entity, the entity is to be reimbursed from the General Revenue

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[1] R.C. 135.146(A)(1).

[2] R.C. 9.16(C) and (D) and 5703.83.

[3] R.C. 113.40(A)(1).

Fund.[4] Note that the bill creates the Ohio Bitcoin Reserve Fund and so it appears that the reference to the Ohio Bitcoin Investment Fund is an error.

Any state entity that accepts cryptocurrency as payment of state expenses is required to convert the cryptocurrency to an equivalent value of bitcoin and transfer the bitcoin to the credit of the Ohio Bitcoin Reserve Fund. The TOS is required to compensate a state entity for the bitcoin in an equivalent value of United States dollars of the bitcoin received.[5]

Ohio Bitcoin Reserve Fund

The bill establishes the Ohio Bitcoin Reserve Fund. The fund is to consist of amounts transferred to the fund in accordance with the unclaimed funds law and by acts of the General Assembly. The bill allows the TOS to use the interim money of the state and amounts deposited to the Ohio Bitcoin Reserve Fund to acquire bitcoin as an investment.[6] Generally speaking, the term "interim money of the state" refers to amounts held in the State Treasury that are not necessary to meet current demands on the State Treasury. The TOS is required to hold any bitcoin acquired for at least five years after the date the bitcoin enters the state's custody. After the five-year holding period, the TOS may transfer, sell, appropriate, or convert the bitcoin to another cryptocurrency.[7]

Secure custody solution

The bill requires any bitcoin acquired as an investment to be held using a secure custody solution by either the TOS or a qualified custodian. A "qualified custodian" is any federal or state-chartered bank, trust company, or a company regulated by the state that has custody of bitcoin. A "secure custody solution" is a technological product or blended product and service that has all of the following characteristics:

- The private keys that secure digital assets are exclusively known to, and accessible by, the government entity;

- The private keys that secure digital assets are exclusively contained within an encrypted environment and are accessible only via end-to-end encrypted channels;

- The private keys that secure digital assets are not, at any time, contained by, accessible by, or controllable via a smartphone or any other unauthorized electronic means;

- Any hardware that contains the private keys that secure digital assets is maintained in at least two geographically diversified locations;

- The secure custody solution enforces a multi-party governance structure for authorizing transactions, enforces user access controls, and logs all user-initiated actions.

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[4] R.C. 9.16(D).

[5] R.C. 113.40(K).

[6] R.C. 135.146(B).

[7] R.C. 135.146(C); R.C. 135.01(A) and (F), not in the bill.

A "private key" is the unique element of cryptographic data used for signing transactions on a blockchain that is known to the owner of the unique element.[8]

Bitcoin donations

The TOS is authorized to accept gifts, grants, and donations of bitcoin from any of the following:

- A resident of Ohio;

- The state, a political subdivision, or an agency or instrumentality of Ohio or a political subdivision;

- A state institution of higher education.

The TOS is required to develop a process by which donors may contribute bitcoin to the Ohio Bitcoin Reserve Fund. Upon request, the TOS may issue a certificate of acknowledgement to a donor. The TOS may also establish a recognition program to publicly honor significant contributions made to the fund by donors.[9] Under the bill, a "donor" is defined as being a resident of Ohio who gifts, grants, donates, bequeaths, or devises bitcoin to the Ohio Bitcoin Reserve Fund.[10]

Biennial report

The TOS is required to prepare a biennial report that includes all of the following information:

- The total amount of bitcoin held;

- The equivalent value of the bitcoin expressed in United States dollars;

- The net change in amount held and value reported since the last report;

- Any transactions or expenditures related to the requirements of the bill since the previous report;

- Any security threats experienced in administering the requirements of the bill since the previous report.

The report is to be made not later than the 31st day of December of every even-numbered year. The report is to be published in an electronic format on the TOS's website. The TOS is required to notify the General Assembly when the report is available.[11]

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[8] R.C. 135.146(A) and (D).

[9] R.C. 135.146(E) and (F).

[10] R.C. 135.146(A)(2).

[11] R.C. 134.146(G).

Rules

The TOS is authorized to adopt rules in accordance with the Ohio Administrative Procedure Act to administer the requirements of the bill. The rules may address security protocols, reporting standards, and donation procedures. The rules may also address the process for returning bitcoin contributed by any person or entity that is not eligible to make such a contribution (for example, by an individual who is not an Ohio resident).[12]

Unclaimed or forfeited property

The bill specifies that any unclaimed or forfeited bitcoin may be transferred to the Ohio Bitcoin Reserve Fund or disposed of via public auction to the highest bidder.[13] Since "bitcoin" is defined broadly by the bill, it appears that the provision could also apply to cryptocurrency other than the currency colloquially referred to as "bitcoin."

Title

The bill names itself the Ohio Bitcoin Reserve Act.[14]

HISTORY

Action	Date
Introduced	01-28-25

ANSB0057IN-136/sb

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[12] R.C. 135.146(H).

[13] R.C. 2981.12.

[14] Section 3.