HOUSE DOCKET, NO. 3762 FILED ON: 1/17/2025

HOUSE . . . . . No. 3279

The Commonwealth of Massachusetts

PRESENTED BY:

Christopher J. Worrell

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act allowing for fiscal resilience through strategic investment in stable digital financial assets.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
Christopher J. Worrell	*5th Suffolk*	*1/17/2025*

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HOUSE . . . . . No. 3279

By Representative Worrell of Boston, a petition (accompanied by bill, House, No. 3279) of Christopher J. Worrell relative to taxation and investment in digital financial assets. Revenue.

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Fourth General Court
(2025-2026)

An Act allowing for fiscal resilience through strategic investment in stable digital financial assets.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. The General Laws are hereby amended by inserting after chapter 64N the following new chapter:-

CHAPTER 64O. Taxation and Investment in Digital Financial Assets

Section 1. Intent

(a) It shall be the intent of the General Court to authorize the state treasurer and public pension funds to:

(i) permit the inclusion of bitcoin and other stable digital financial assets to serve as stores of value and provide a hedge against inflation, thereby protecting the purchasing power of state funds;

(ii) ensure that the investment strategies employed by the state treasurer and public pension funds are aligned with the goal of enhancing the economic security and financial resilience of the commonwealth; and

(ii) allow flexibility in investment decisions to respond to changing economic conditions and emerging opportunities that may offer better protection or returns on state funds.

Section 2. Definitions

As used in this chapter, the following terms shall have the following meanings unless the context clearly requires otherwise:

"Bitcoin", the decentralized digital currency launched in 2009, a digital asset which is the basis of the Bitcoin exchange traded product which is regulated by the federal securities and exchange commission.

"Digital financial asset", any digital representation of value that is recorded on a cryptographically secured distributed ledger of virtual currency, cryptocurrencies, natively electronic assets including stablecoins and non-fungible tokens or other exclusively digital assets that confer economic, proprietary or access rights or powers that are not cash; provided, however, that for the purposes of taxation pursuant to sections 58 to 65C, inclusive, digital assets shall be considered a cash equivalent.

"Exchange-traded product", any financial instrument that is approved by the federal securities and exchange commission, the federal commodities future trading commission,or the division of banks that is traded on a United States regulated exchange and derives its value from an underlying pool of assets, such as stocks, bonds, commodities or indexes.

"Private key", a unique element of cryptographic data used for signing transactions on a blockchain, which is known to the owner of the private key.

"Qualified custodian", any federal or state-chartered bank, trust company or special purpose depository institution or a company regulated by the state which custodies digital assets for an approved exchange-raded product.

"Secure custody solution", a technological product or blended product and service which has the following characteristics:

(1) The cryptographic private keys that secure digital assets are exclusively known by and accessible by a government entity;

(2) the cryptographic private keys that secure digital assets are exclusively contained within an encrypted environment and accessible exclusivelyt via end-to-end encrypted channels;

(3) The cryptographic private keys that secure digital assets are never contained by, accessible by, or controllable via a smartphone;

(4) Any hardware that contains the cryptographic private keys that secure digital assets is maintained in at least 2 geographically diversified and specially designated secure data centers;

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

(6) The provider of the secure custody solution has implemented a disaster recovery protocol that ensures customer access to assets in the event the provider becomes unavailable; and

(7) The secure custody solution undergoes regular code audits and penetration testing from audit firms; provided, however, that any identified vulnerabilities shall be promptly remedied.

Section 3. Imposition; rate; time of payment

(a) Except as otherwise provided in this chapter or any other general law to the contrary, an excise is hereby imposed upon digital mediums of exchange at the rate of 5 per cent of the total amount of digital gross revenues in digital currency obtained by a taxpayer. The excise shall be paid by the taxpayer to the commissioner at the time provided for filing the returns required by section 16 of chapter 62C.

(b) If a taxpayer received any digital asset as compensation for services or disposed of any digital asset that was held for sale to customers in a trade or business, the taxpayer shall report the income as a taxpayer would be required to report other income of the same type.

(c) If a digital financial asset may be loaned without increasing the financial risk of the state, the state treasurer shall be allowed to loan the digital asset to bring further return to the state through regulations, rules or guidelines established by the state treasurer.The state treasurer may, if they deem such action necessary for the protection of the revenue of the commonwealth, recommend to the commissioner additional regulations for the taxation rate of digital financial assets, which the commissioner may promulgate.

(d) All sums received by the commissioner under this section shall be distributed, credited and paid by the state treasurer upon certification of the commissioner to the amount of the sums received from the sales of digital currency by that taxpayer. A taxpayer seeking to

dispute the commissioner's calculation of its distribution under this subsection shall notify the commissioner, in writing, not later than 1 year from the date the tax was distributed.

(e) Any state retirement fund may invest in exchange traded products that have been duly registered by the federal securities and exchange commission, the federal commodity future trading commission or the securities division of the office of the state secretary.

Section 4. Application and investment of tax revenue

(a) The state treasurer shall deposit revenue collected pursuant to this chapter, other than revenue collected pursuant to section 2 of chapter 64H, in the General Fund and it shall be subject to appropriation. The General Fund shall reimburse whatever fund the qualifying digital asset was designated to with United States currency.

(b) The state treasurer may invest public funds in Bitcoin from the following funds:

(1) The General Fund;

(2) The Commonwealth Stabilization Fund established pursuant to section 2H of chapter 29;

(3) The State Retiree Benefits Trust Fund established pursuant to section 24 of chapter 32A; or

(4) Any other state fund deemed appropriate as requested by the state treasurer and approved by the General Court.

(c) The amount of public funds that the state treasurer may invest in Bitcoin shall not exceed 10 per cent of the total amount of public funds in the applicable account.

(d) Any digital assets acquired by any of the funds listed in subsection (b) shall be held: (i) directly by the state treasurer through the use of a secure custody solution; (ii) on behalf of the state by a qualified custodian; or (iii) in the form of an exchange-traded product issued by a registered investment company.

SECTION 2. Section 1 shall take effect upon enactment.