ARIZONA STATE SENATE
Fifty-Sixth Legislature, First Regular Session

<u>VETOED</u>

<u>AMENDED</u>
FACT SHEET FOR S.B. 1236

<u>blockchain technology; tax; fee; prohibition</u>

<u>Purpose</u>

Declares the regulation of the imposition of a tax or fee on a person or entity running a node on blockchain technology to be a matter of statewide concern and preempts further regulation by a city, town or county.

<u>Background</u>

Blockchain technology is a type of distributed ledger technology that uses a distributed, decentralized, shared and replicated ledger, which may be public or private, permissioned or permissionless, or driven by tokenized crypto economics or tokenless. The data on the ledger is protected with cryptography, is immutable and auditable and provides an uncensored truth (A.R.S. § 44-7061).

A city, town or county may not prohibit or restrict an individual from running a node on blockchain technology in a residence. The act of running a node on blockchain technology means providing computing power to validate or encrypt transactions in blockchain technology (A.R.S. §§ 9-500.42 and 11-269.22).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

<u>Provisions</u>

1. Prohibits a city, town or county from imposing a tax or fee on any person or entity for running a node on blockchain technology in a residence, except for a tax levied on electricity.

2. Declares the regulation of the imposition of a tax or fee on a person or entity running a node on blockchain technology to be a matter of statewide concern and not subject to further regulation by a city, town or county.

3. Makes technical and conforming changes.

4. Becomes effective on the general effective date.

<u>Amendments Adopted by Committee of the Whole</u>

- Prohibits a city, town or county from imposing a tax or fee on a person or entity that runs a node on blockchain technology in a residence, rather than on the use of blockchain technology by any person or entity.

Governor's Veto Message

The Governor indicates in her veto message that S.B. 1236 prevents local policymaking concerning the emergent and potentially energy-intensive economic activity related to blockchain technology.

Senate Action				House Action			
FIN	2/6/23	DP	4-3-0	WM	3/8/23	DP	6-4-0-0
3rd Read	2/21/23		16-13-1	3rd Read	4/5/23		31-27-2

Vetoed by the Governor 4/12/23

Prepared by Senate Research
April 12, 2023
MG/sr