

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1102H.02C
Bill No.: HCS for HB 1136
Subject: Business and Commerce; State Treasurer; Banks and Financial Institutions
Type: Original
Date: April 23, 2025

Bill Summary: This proposal establishes the "Digital Assets Authorization Act".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	Could exceed (\$214,000)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	Could exceed (\$214,000)	(Unknown)	(Unknown)

*Oversight notes that costs to implement the proposal include contracts with a third-party vendor, updating current systems to accept payments in cryptocurrency, and additional administrative work. Oversight assumes the cost will exceed the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Inmate Fund (0540) *	(Unknown, could exceed \$250,000)	(Unknown, could exceed \$250,000)	(Unknown, could exceed \$250,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown, could exceed \$250,000)	(Unknown, could exceed \$250,000)	(Unknown, could exceed \$250,000)

*Oversight notes the proposed legislation could have an unknown impact on the recovery of funds used to cover some of the incarceration costs for offenders, as stipulated in the statutorily mandated Missouri Incarceration Reimbursement Act (217.831 RSMo.).

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government*	(Unknown)	(Unknown)	(Unknown)

*Oversight notes there are potential costs to contract with a third-party vendor, update current systems, and additional administrative work in order to implement the provisions of the proposal.

FISCAL ANALYSIS

ASSUMPTION

§§362.1125-362.1128 - Digital Assets Authorization Act

Officials from the **Department of Revenue (DOR)** assume §362.1126 would allow digital assets to be accepted as legal tender in Missouri and shall be allowed for the payment of all legal goods and services. This proposal does not specify that the digital asset be minted or controlled by the U.S. Mint or that the digital asset be a currency that is considered legal tender. Therefore, this proposal would allow people to create their own currency.

The State and DOR already accept all coins minted by the U.S. Mint as they are considered legal tender. This includes the commemorative coins printed but not widely used in financial transactions. Additionally, DOR allows for the use of credit and debit cards that are based on physical currency.

DOR receives, processes and deposits the majority of all state revenue. DOR receives sales tax, individual income tax, corporate tax and various taxes and fees collected by state agencies that is then brought to DOR for deposit. However, DOR does not accept and will continue to **not** accept any digital asset that is in violation of 18 U.S. § 486. Acceptance of any currency form not considered legal tender per this federal statute can result in felony charges being brought by the Federal Government.

Missouri would be the **first** state to accept digital assets that are not legal tender. While other states have passed laws providing their state with language allowing rolling compliance with acceptance of currency types like these should the federal government make these types of legal tender, **none** have allowed the paying of a currency that is not legal tender. Therefore, DOR is unable to obtain information as to the number of people wishing to use alternative currency or the costs of providing these alternatives.

This proposal additionally says that a person using a digital asset to make a payment will not be subject to any additional fee or assessment for using that method of payment.

DOR notes that currently they assess a processing fee on all e-check payments as well as all debit and credit card payments. That is because those payments are processed for the Department by a third-party vendor who assesses those fees. They assume this proposal would require DOR to modify their contract to require DOR to pay the fee rather than the customer. DOR assumes additional costs for this contract exceeding \$100,000 annually.

DOR will need to update their numerous payment systems to recognize that these types of payments were made. These would include taxation's MyTax, and the motor vehicle and driver license systems' FUSION. ITSD estimates at least \$38,000 for the necessary updates per division (3 divisions x \$38,000 = \$114,000).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by DOR in the fiscal note.

Officials from the **Department of Corrections (DOC)** assume the proposal establishes the “Digital Assets Authorization Act”.

Section 362.1125 prevents the state from “prohibiting, restricting or otherwise impairing” self-custody of digital assets. The legislation also defines “decentralized” by stating that no single entity (including government agencies) has unilateral control over governance, transactions, or maintenance of the ledger.

The proposed legislation could have an unknown impact on the recovery of funds used to cover some of the incarceration costs for offenders, as stipulated in the statutorily-mandated Missouri Incarceration Reimbursement Act (217.831 RsMO). Self-hosted and hardware wallets would make it nearly impossible to pursue an offender’s assets. With traditional bank accounts and custodial crypto exchanges, there is a central or governing body that can be subpoenaed. The proposed legislation would remove that ability. Therefore, there would be an unknown cost anticipated to exceed \$250,000 for the department.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect an unknown cost that could exceed \$250,000 to DOC as well as a zero to unknown cost to the general revenue fund and local governments in the fiscal note for the recovery of funds.

In response to the previous version, officials from the **Office of Administration - Budget and Planning (BAP)** assumed this legislation will exempt digital assets used as a method of payment from capital gains tax. Digital assets are currently subject to the capital gains tax. This would result in an unknown loss to TSR.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by BAP in the fiscal note.

Oversight notes under this proposal, the state of Missouri or a municipality cannot prohibit an individual or person from accepting digital assets as payment for goods and services; or to maintain self-custody of a digital asset using a self-hosted wallet or hardware wallet. Oversight assumes there could be potential costs to contract with a third party vendors, update current systems, and additional administrative work in order to implement the provisions of the proposal. Therefore, Oversight will reflect a potential cost to various state agencies and local political subdivisions that accept digital asset payments used as currency. For simplicity, Oversight will only reflect this potential cost to the state in the General Revenue Fund.

Officials from the **Office of Attorney General (AGO)** assume any potential litigation costs arising from this proposal can be absorbed with existing resources. The AGO may seek

additional appropriations if the proposal results in a significant increase in litigation or investigation costs.

Oversight does not have any information to the contrary. Therefore, Oversight assumes the AGO will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the AGO for fiscal note purposes.

Officials from the **Department of Economic Development, Department of Elementary and Secondary Education, Department of Commerce and Insurance, Department of Higher Education and Workforce Development, Department of Labor and Industrial Relations, Department of Mental Health, Department of Social Services, Department of Public Safety (Division of Alcohol and Tobacco Control, Fire Safety, Office of the Director, Missouri Highway Patrol, Missouri Gaming Commission, State Emergency Management Agency), Office of the Governor, Missouri Department of Agriculture, Missouri Department of Conservation, MoDOT & Patrol Employees' Retirement System, Office of the Secretary of State, Office of the State Public Defender, Office of the State Treasurer, University of Missouri System, Office of the Lieutenant Governor, Joint Committee on Administrative Rules, Joint Committee on Public Employee Retirement, Legislative Research, Oversight Division, Missouri House of Representatives, Missouri Senate, Missouri Lottery Commission, Missouri Consolidated Health Care Plan, and State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to the previous version, officials from the **Office of Administration - Administrative Hearing Commission, Department of Public Safety (Capitol Police and Missouri Veterans Commission), Missouri Ethics Commission, Missouri Department of Transportation, Missouri National Guard, Office of Administration, Office of the State Auditor, Joint Committee on Administrative Rules, Joint Committee on Education, and the Missouri State Employee's Retirement System** each assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **City of Kansas City** assume the proposal will have a negative fiscal impact of an indeterminate amount.

In response to the previous version, officials from the **City of Kansas City** assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the **Clay County Auditor's Office** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the **Department of Health and Senior Services** defer to the **Office of Administration** for the potential fiscal impact of this proposal.

Officials from the **Department of Natural Resources** defer to the **Office of the State Treasurer** for the potential fiscal impact of this proposal.

Officials from the **Missouri Office of Prosecution Services** and the **Office of the State Courts Administrator** did not respond to **Oversight's** request for fiscal impact for this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Costs – DOR §30.1030</u>			
Contract modifications	(\$100,000)	\$0	\$0
Computer updates	(\$114,000)	\$0	\$0
<u>Total Cost – DOR</u>	(\$214,000)	\$0	\$0
<u>Costs – Various State Agencies – administrative/vendor costs for potential payments to be made in forms of digital assets other than current legal tender</u>	(Unknown)	(Unknown)	(Unknown)
<u>Costs – §362.1125 Recovery of funds</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Loss – exempt digital assets used as payment method from capital gains tax</u>	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	Could exceed (<u>\$214,000</u>)	(<u>Unknown</u>)	(<u>Unknown</u>)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
INMATE FUND (0540)			
<u>Costs</u> – DOC - §362.1125 Recovery of funds (Missouri Incarceration Reimbursement Act)	(Unknown, Could exceed \$250,000)	(Unknown, Could exceed \$250,000)	(Unknown, Could exceed \$250,000)
ESTIMATED NET EFFECT ON INMATE FUND	(Unknown, Could exceed \$250,000)	(Unknown, Could exceed \$250,000)	(Unknown, Could exceed \$250,000)

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> - §362.1125 Recovery of funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs</u> – administrative/vendor costs for potential payments to be made in forms of digital assets other than current legal tender	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	(Unknown)	(Unknown)	(Unknown)

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill creates the "Digital Assets Authorization Act".

The bill defines "blockchain", "blockchain protocol", "decentralized", "digital asset", "hardware wallet", "node" and "self-hosted wallet".

Under this bill, the state of Missouri or a municipality cannot prohibit an individual or person from accepting digital assets as payment for goods and services; or to maintain self-custody of a digital asset using a self-hosted wallet or hardware wallet.

The bill prohibits the state of Missouri or a municipality from imposing any additional tax, withholding, assessment or charge based solely upon the use of a digital asset used as a payment method to purchase goods or services.

The bill provides for the lawful operation of a node in Missouri for certain purposes relating to blockchain protocols, as specified in the bill. In addition, the bill states that it does not override or limit the applicability of certain laws identified in the bill.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office
Office of Administration - Administrative Hearing Commission
Office of Administration - Budget and Planning
Department of Commerce and Insurance
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Health and Senior Services
Department of Mental Health
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
 Division of Alcohol and Tobacco Control
 Capitol Police
 Fire Safety
 Office of the Director
 Missouri Gaming Commission
 Missouri Highway Patrol
 Missouri Veterans Commission
 State Emergency Management Agency
Department of Social Services
Office of the Governor
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Ethics Commission
Missouri Department of Transportation

Missouri National Guard
MoDOT & Patrol Employees' Retirement System
Office of Administration
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
Office of the State Auditor
Missouri House of Representatives
Joint Committee on Administrative Rules
Joint Committee on Education
Joint Committee on Public Employee Retirement
Legislative Research
Oversight Division
Missouri Senate
Missouri Lottery Commission
Missouri Consolidated Health Care Plan
Missouri State Employee's Retirement System
State Tax Commission
City of Kansas City
Clay County Auditor's Office



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