HB 2071   STAFF MEASURE SUMMARY

House Committee On Commerce and Consumer Protection

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Meeting Dates:	4/29

WHAT THE MEASURE DOES:

The measure prohibits the state and local governments from restricting the acceptance of digital assets as payment, from restricting engaging in peer to peer transactions on a blockchain or digital asset network, from restricting the use of a self-hosted wallet or hardware wallet, from restricting the development of software on a blockchain protocol, from restricting the operation of a node, or from restricting the exchange of digital assets on a blockchain protocol. The measure prohibits state and local governments from imposing a tax or charges on digital assets used as a method of payment. The measure defines blockchain, blockchain protocol, digital asset, hardware wallet, layer two blockchain protocol, node, self-hosted wallet, smart contract, and stablecoin. The measure exempts the operation of a node, the exchange of a digital asset for another digital asset, or the development or use of software on a blockchain protocol to effectuate the exchange of a digital asset for another one from the Oregon Money Transmitters Act.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Blockchain is a distributed list of transactions shared across a network of computers that many different computers observe, record and then verify. Many different computers observe, record and then verify a transaction so that any inconsistencies can be identified. If 100 people are recording the times of runners and at the end of the day they compare their lists and 95 people all have the same exact information and 5 people have some of the same information but some of the information is different, then this concept would say that something is wrong and to trust the 95 people with the same information. that is consensus.

Blockchain works by a transaction being placed into a block of data. That block is sent to every node (Computer on the network). All of those nodes (computers on the network) add the block to the separate line of blocks on each separate computer. Then all of the nodes (computers on the network) compare their new line of blocks to each other's line of blocks to confirm that the same thing happened to all the lines of blocks. Just like the people recording runners' times, a majority will agree and a minority with either a mistake or ill intent gets identified and addressed. This keeps the list accurate by keeping copies of the accurate information in so many places that it can't be fooled by a single point of failure. if there are so many inconsistencies that a majority can't be identified everything stops and a block might be removed from the chain and added again. The trust is developed because so many disconnected individuals are agreeing on the same complicated result and finding that they agree when they all show their answers at the same time.

Blockchain is the technology that digital currency, cryptocurrency and bitcoin are built on. More specifically, it's the underlying technology that constructs a decentralized digital ledger that enables exchanges among multiple parties in a secure, immutable manner.

Digital currency refers to any form of currency available in digital or electronic form and shared without an intermediary. This includes digital money issued by governments and central banks, as well as cryptocurrency.

Digital currency is sometimes called digital money, electronic money, electronic currency or cybercash.

Cryptocurrency is a digital asset that can be exchanged on a blockchain network. It's a subset of digital currency that isn't issued by government entities. Think of cryptocurrency as tokens private entities or groups issue that can also pay for items sold by those who also operate in the blockchain network.

Bitcoin is the first and most popular cryptocurrency. Bitcoin operates on a decentralized network known as the bitcoin blockchain, which lets participants send and receive it without the need for intermediaries. New bitcoin is introduced to the supply through bitcoin mining, a process that requires significant computational power. Miners solve complex mathematical problems and the miner who solves the puzzle and validates the transaction is rewarded with new bitcoin, incentivizing the practice.