State Regulations or Laws Governing Digital, Virtual, and Cryptocurrencies

Executive Summary

Currently, the U.S. does not have a federal nationwide regulatory framework for digital assets or currencies. Instead, it has been left to states to study, accept, or prohibit the use of digital currencies for official government transactions, as well as to treat cryptocurrencies as a cash equivalent. As digital, virtual, and cryptocurrency assets have attracted larger-scale investment, the concept of 'stablecoins' – digital currencies designed to maintain stable values by being pegged to an asset, such as fiat currency or precious metals – has emerged to reduce the volatility that most cryptocurrencies suffer from. These 'stablecoins' are truer to the idea of 'currency' than cryptocurrencies, as their stability allows for more uses as payment, remittance, or store of value. There are four main types of stablecoin:

- **Fiat-backed:** These stablecoins are backed by reserves consisting of highly liquid cash and cash-equivalent assets. They are widely adopted for their security, stability, and regulatory compliance, and are fully backed by reserves of real-world assets such as the U.S. dollar.
- **Commodity-backed:** These stablecoins are backed by physical assets such as precious metals (e.g., gold), oil, or real estate, among others. These allow users to digitally own and transfer tokens representing real-world commodities, enabling them to hold, trade, and invest in tangible assets through blockchain technology.
- **Crypto-backed:** These stablecoins are backed by other cryptocurrencies. Users deposit and lock their cryptocurrencies on a platform as collateral to mint or create stablecoins. Crypto-backed stablecoins are often used in the DeFi (decentralized finance) ecosystem and offer greater flexibility in how users collateralize and mint them, but may carry higher volatility risks than fiat-backed stablecoins.
- **Algorithmic:** Instead of being backed by any form of collateral, these stablecoins use algorithms to control supply and demand to maintain price stability. Algorithmic stablecoins usually use a two-token system: one token (the algorithmic stablecoin) is designed to maintain a stable value, and the other token has a variable value determined by market forces. The value of the variable token is directly linked to the stablecoin's value through a mint-and-burn process that adjusts the algorithmic stablecoin's supply based on market conditions. When the stablecoin's price rises above its target, users are incentivized via an arbitrage opportunity to burn their variable tokens to mint new stablecoins, increasing the stablecoin's supply and bringing its price back down toward the target. Conversely, when the stablecoin's price falls below the target, users can burn the stablecoins and buy variable tokens, reducing its supply and pushing its price back up. This dynamic is theoretically intended to help maintain the algorithmic stablecoin's value. However, due to their complete reliance on arbitrage and algorithmic adjustments, algorithmic stablecoins are highly susceptible to market fluctuations and systemic risks.[1]

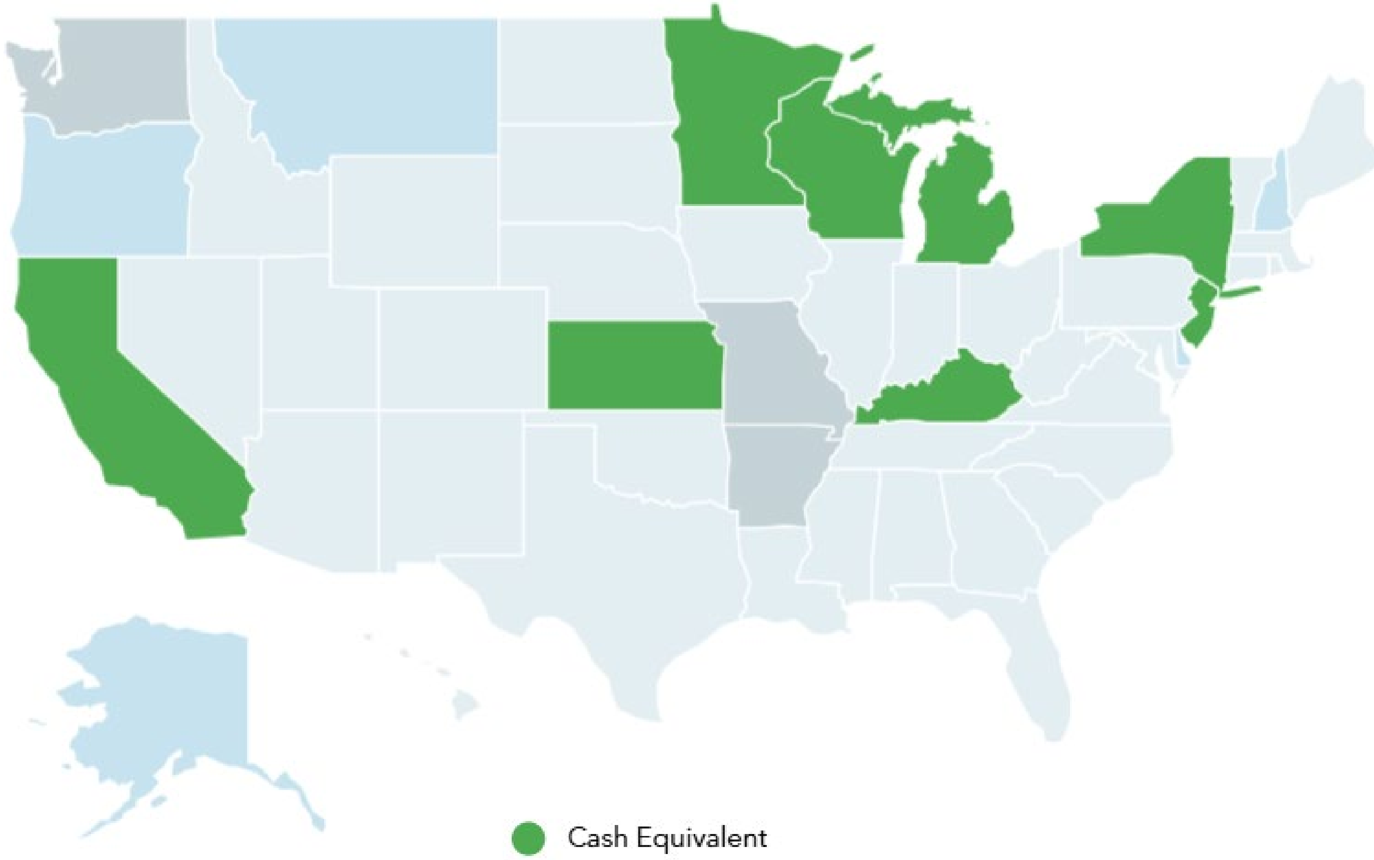
For the purposes of the inquiry into providing a direct infusion via digital or cryptocurrency to allow for trackable economic incentives, there appear to be two primary questions to answer to gauge the feasibility of using a trackable token or cryptocurrency-based benefit instead of a tax credit-based economic development incentive using foregone revenues for these projects:

1. ***What states explicitly treat digital, virtual, or cryptocurrencies as a "cash equivalent" for tax purposes?***
2. ***What states allow or prohibit using digital, virtual, or cryptocurrencies for government transactions?***

Only eight states – including **Kentucky** in the South – explicitly have provided guidance or have laws identifying digital, virtual, or cryptocurrencies as a cash equivalent for transactions and sales and use tax purposes.

[1] "What is a stablecoin?" USDC, accessed August 27, 2025.

Figure 1. *States with Regulatory Guidance on Digital, Virtual, or Cryptocurrencies as a Cash Equivalent*



Source: [*"State Sales and Use Tax Treatment of Digital, Virtual, and Cryptocurrencies," Bloomberg Tax (2025).*]

Further, as of August 2025, only four states – including **Louisiana** in the South – expressly permit government transactions to take place using cryptocurrency, and only one state prohibits any state entity from accepting cryptocurrency.

Colorado was the first state to permit the use of cryptocurrencies for state tax payments – beginning on September 1, 2022 – and online department of motor vehicles services – beginning on August 1, 2023.[2] However, this first-in-the-nation status comes with some caveats, as the state itself does not accept or hold the cryptocurrencies, instead requiring conversion through PayPal, and it also includes service fees from the third-party converter, as well as a service fee of $1.00 plus 1.83 percent of the total payment amount to the state. As such, there has been limited use of this provision, with only 0.0005 percent of the state's total income tax revenue coming from payments made in cryptocurrency as of April 2025.[3]

Likewise, **Louisiana** allows state government entities to accept payment via cryptocurrencies using a third-party digital currency application – Bead Pay – which converts the virtual monies into U.S. currency, and the state can then process and use it. Currently, only the Louisiana Department of Wildlife and Fisheries (LDWF) accepts crypto payments, which have been used to pay fines assessed on taxpayers by the LDWF.[4]

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[2] "Cryptocurrency," Taxation Division, Colorado Department of Revenue, accessed August 27, 2025.
[3] Quentin Young, "Cryptocurrency tax revenue negligible since launch of Colorado program," *Colorado Newsline,* April 15, 2025.
[4] Alyse Pfeil, "Louisiana Treasurer Says State Services Can Be Paid with Crypto," *Government Technology,* September 19, 2024.

Most recently, **Wyoming** became the first state in the U.S. to establish and issue its own digital currency – the blockchain-based Frontier Stable Coin – as permitted by legislation in 2023 and 2024. So far, though, no state has allowed for direct acceptance or transaction of cryptocurrencies, as all legislative or administrative implementations to date have required the digital monies to be converted into U.S. dollars before the state accepting, depositing, or using the funds.

Cash Equivalency of Digital, Virtual, and/or Cryptocurrencies

State	Summary	Citation(s)
California	State guidance states that when there is no tangible personal property in a transaction, there is no sale, and thus, sales and use tax does not apply to cryptocurrency. However, a sale paid for with cryptocurrency is subject to state sales and use tax like a sale paid for with U.S. legal tender unless the sale itself is specifically exempt from tax.	*Cal. SBOE Special Notice L-382 (06/2014)*; *Reference #F22-12-084, Cal. Dept. of Tax & Fee Admin. (01/05/2023)*
Kansas	Department of Revenue treats virtual currency as a cash equivalent and requires sellers who accept virtual currency as payment in a taxable transaction to convert it into U.S. dollars and charge state sales and use tax.	*Kansas Dept. of Rev. Notice 20-04 (11/02/2020)*
Kentucky	Kentucky treats bitcoin as a cash equivalent and requires sellers to accept bitcoins as payment in a taxable transaction to convert the bitcoin into U.S. dollars, charge Kentucky sales and use tax.	*Ky. Dept. of Rev. Update (06/2014)*
Michigan	The state does not impose sales and use tax on purchases of convertible virtual currency because it is not tangible personal property. Department of Treasury guidance defines virtual currency as "*a digital representation of value that has an equivalent value in real currency…and acts as a substitute for real currency.*"	*Mich. Dept. of Treasury, Tax Policy Div. Update, Vol. I, Issue I (11/2015)*
Minnesota	Bitcoin is treated as an intangible, the same as cash, and therefore exempt from sales and use tax.	*Minn. Dept. of Rev. Sales Tax Fact Sheet #167 (Revised 12/2021)*
New Jersey	The state treats all virtual currencies, such as bitcoin, as cash equivalents, and taxes purchases with virtual currencies like purchases made with cash.	*N.J. Div. of Taxation Technical Advisory Memo TAM-2015-1-R (03/21/2022)*
New York	New York treats virtual currencies, such as bitcoin, as cash equivalents, and taxes purchases with virtual currencies like purchases made with cash.	*N.Y. State Dept. of Tax & Finance Technical Memo TSB-M-12-17-S (12/05/2014)*
Wisconsin	The sales price of virtual currency itself is not taxable because virtual currency represents an intangible right rather than tangible personal property or a taxable service.	*Wisc. Dept. of Rev. Sales & Use Tax Report 1-14 (03/2014)*; *Wisc. Dept. of Rev. Sales & Use Tax Bulletin #213 (04/2021)*

Allowance or Prohibition on the Acceptance of Cryptocurrencies for Government Transactions

State	Measure (Year)	Status	Summary
Arizona	Senate Bill 1024 (2025)	***Vetoed***	It would have authorized state agencies to enter into an agreement with a cryptocurrency service

State	Measure (Year)	Status	Summary
	Related: SB1239 (2023); SB1091 (2018); SB1127 (2022)		provider to accept cryptocurrency as a payment method for any amount due to a state agency or for tax payments if the Arizona Department of Revenue entered into an agreement with a cryptocurrency service provider.
California	Assembly Bill 1052 (2025) **Related:** SB1275 (2022); AB2689 (2022)	*Pending Third Reading in the Senate*	The bill would update the state's Digital Financial Assets Law to permit public entities–including departments, counties, and municipalities—to opt in to accept digital assets, such as cryptocurrencies, as payment for goods and services. It would also explicitly state that governmental units *are not required* to accept these currencies.
Florida	House Bill 697 (2024)	*Died in Committee*	It would have identified electronic or digital currency as legal tender, and not personal property for regulatory or tax purposes.
Georgia	Senate Bill 464 (2018)	*Died in Committee*	It would have required the state revenue commissioner to accept digital currencies as valid payment for taxes and license fees.
	House Bill 1053 (2024)	***Enacted***	Prohibits government entities from using any central bank digital or virtual currency as payment or from participating in testing such currency.
Hawaii	Senate Bill 2676 (2024)	*Died in Committee*	Hawaii has proposed prohibiting any government entity from requiring the use of digital currency for any services, goods, or payments.
	Senate Bill 2696 (2022)	*Died in Committee*	The measure would have allowed the state director of finance to authorize state agencies to enter into virtual currency payment agreements with persons or issuers and allow for the acceptance of convertible digital currencies.
Illinois	House Bill 5335 (2018)	*Died in Committee*	It would have authorized the revenue department to accept cryptocurrency as payment for any tax
Indiana	Senate Bill 55 (2024) **Related:** HB 1683 (2019)	*Died in Committee*	This measure would have amended the definition of electronic payments to include digital currencies and allow said payments to government bodies.
Iowa	House File 246 (2025) **Related:** SF403 (2025)	*Passed Out of Committee*	The state treasurer would be permitted to accept certain taxes or fees paid to the state in digital assets. If the digital asset has a market capitalization of more than $750 billion or is a stablecoin, it must be transferred to the state's general fund. If the payment is made using a digital asset with a smaller market capitalization, it must be converted to U.S. currency.
	Senate File 2079 (2020)	*Died in Committee*	It would have prohibited all state and local political subdivisions from accepting payments in digital currencies.

State	Measure (Year)	Status	Summary
Kansas	House Bill 2729 (2024)	*Died in Committee*	Electronic currencies backed by some form of legal specie, such as U.S. currency, gold, or silver, would have been deemed legal tender for all purposes.
Louisiana	House Concurrent Resolution 103 (2022) ***Related:*** *HB741 (2022); HB985 (2022); HCR104 (2022)*	***Adopted***	Directed the Cash Management Review Board – under the purview of the state treasurer – to consider and report on how the state can utilize cryptocurrency.
Massachusetts	House Bill 88 (2025) ***Related:*** *SB 29 (2024); HB 69 (2023); HB 4513 (2022)*	*Pending in Committee*	It would create a special commission on blockchain and cybersecurity, which would examine the potential benefits and obstacles to government agencies accepting digital currency as payment.
Michigan	Senate Bill 888 (2022)	*Passed Senate, Died in House*	The bill would have established a cryptocurrency and blockchain commission to study and report on the feasibility of businesses and government entities accepting digital non-fiat currencies as legal tender for taxes and other services.
Missouri	House Bill 1217 (2025) ***Related:*** *HB 1247 (2019)*	*Died in Committee*	It would have required all state and local political subdivisions to accept virtual currencies as legal tender.
New Hampshire	House Bill 552 (2015) ***Related:*** *HB 470 (2020)*	*Died in Committee*	The bill would have required the state treasurer to develop a plan for implementing digital currency as an approved form of payment for taxes and fees.
New York	Assembly Bill 7788 (2025) ***Related:*** *AB 2532 (2023); AB 3906 (2022); AB 1500 (2020); AB 9782 (2018)*	*Died in Committee*	It would have allowed taxpayers to pay fines, rent, rates, taxes, and other such fees to New York State agencies via cryptocurrencies.
Oklahoma	Senate Bill 1519 (2022) ***Related:*** *HB 3279 (2022); SB 1667 (2020)*	*Died in Committee*	The measure would have added statutory language to explicitly allow local governments to accept digital currency as payment for fees and services.
	Senate Bill 325 (2025)	*Died in Committee*	It would have allowed state government employees to be compensated via cryptocurrency in lieu of U.S. currency and state entities to pay vendors via cryptocurrency.
Oregon	House Bill 2488 (2019)	***Enacted***	The law prohibits state government entities from accepting cryptocurrencies as valid payments.
Utah	House Bill 456 (2022)	***Enacted***	Instructed the state Division of Finance to partner with a vendor to develop a system for accepting cryptocurrency tax payments by January 1, 2023.
Wyoming	Senate File 127 (2023) ***Related:*** *SF52 (2025)*	***Enacted***	Established the Wyoming Stable Token Commission to study how to implement and create a state-issued digital currency.

More recently, **Wyoming** became the first state to issue its own form of digital currency – the Frontier Stable Token (FRNT). The state's Stable Token Commission releases the first blockchain-based stable token issued by a U.S. governmental entity in an effort to enable secure, efficient digital payments. The U.S. dollar and short-duration treasuries fully back the token to ensure that 'traditional' or 'usable' U.S. currency supports its use. Most importantly, to ensure its stability, the implementing legislation – SF 127 (2023) – requires the state to regularly set aside enough U.S. currency to allow for every token-holder to cash out simultaneously without harming the state's treasury. Specifically, the token mitigates against the risk of de-pegging or volatility by implementing a 102 percent reserve requirement per Wyo. Stat. § 40-31-106(b). Notably, the FRNT is deemed a 'token' and not a 'coin' as its value is tied up as a representation of U.S. currency and not usable by itself as currency.[5] These stable tokens, per Wyo. Stat. § 40-31-104 is representative of and redeemable for $1.02 held in trust by the state per § 40-31-107.

However, skeptics have noted that while these token transactions are usable 24/7/365 and near instant, they do feature a transaction cost – as decided by the provider and ranging from a few cents to a fraction of a penny depending on the amount sent – and are not sellable ***directly*** to the public now or in the future. Instead, users must purchase them from a verified, third-party blockchain vendor, which adds a layer of sophistication that some argue may stymie any widespread usage as a digital currency. Additionally, per § 40-31-108, state law explicitly notes that no value, transaction, contract, application, or other use of the FRNT is insured or guaranteed by the state beyond the 102 percent mentioned above held in trust. However, the state has repeatedly noted that it is a token; no private or public entity is required to use or conduct transactions in the token; and the project has little to no cost to the state.[6] Wyoming's rollout will be closely followed as a pioneer in this space. Any successes and widespread adoption will likely lead other states to follow.

[5] Hannah Shields, "Wyoming on Track to Release First State-Issued Stable Token," *Wyoming Tribune-Eagle*, May 16, 2025.
[6] Ibid.