

SENATE BILL REPORT

SB 5264

As of February 8, 2017

Title: An act relating to virtual currency.

Brief Description: Concerning virtual currency.

Sponsors: Senators Rivers and Conway.

Brief History:

Committee Activity: Commerce, Labor & Sports: 1/25/17.

Brief Summary of Bill

- Creates a definition of virtual currency to the statutes concerning marijuana.
- Prohibits marijuana producers, marijuana processors, or retail outlets from paying with or accepting virtual currency for the purchase or sale of marijuana or any marijuana product.

SENATE COMMITTEE ON COMMERCE, LABOR & SPORTS

Staff: Richard Rodger (786-7461)

Background: According to the Internal Revenue Service, virtual currency is generally referred to as a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value. Virtual currency that has an equivalent value in real currency, or that acts as a substitute for real currency, and is commonly referred to as convertible virtual currency. Bitcoin is one example of a convertible virtual currency.

The Liquor and Cannabis Board is the lead agency for the licensing, regulation, and enforcement of the state's legal marijuana market.

Summary of Bill: Virtual currency is defined as a digital representation of value used as a medium of exchange, a unit of account, or a store of value, but does not have legal tender status as recognized by the United States government.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The definition of virtual currency excludes when the virtual currency is not used as a medium of exchange, including: (1) the software or protocols governing the transfer of the digital representation of value; or (2) other uses of virtual distributed ledger systems to verify ownership or authenticity in a digital capacity.

Licensed marijuana producers, marijuana processors, or retail outlets are prohibited from paying with or accepting virtual currency for the purchase or sale of marijuana or any marijuana product.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: We are looking to preserve the transparency in the marijuana industry. Marijuana producers, processors, and retailers are currently prohibited from using virtual currency in their business dealings with each other. The federal Cole memorandum specifies that there cannot be a shroud over who is buying and selling marijuana. This bill will help prevent that from happening. The use of our armored car services makes the system safer. We are a compliance organization that is licensed by the state to be a money transmitter. We conduct investigation into the businesses we deal with. We know our customers and provide them with a method to transmit electronic payments after we've deposited their money. Bitcoin's value fluctuates with the market, is untraceable, and lacks the transparency needed in this system.

CON: Virtual currency, including Bitcoin, are transparent, auditable, and provide businesses with an added level of safety by removing cash from the system. We have worked with the Washington State Department of Financial Institutions' (DFI) to get their approval for these transactions and have passed a DFI audit. We are an approved money transmitter and abide by the department's regulations. Large companies such as Amazon and Expedia are now accepting Bitcoin in the retail businesses. We have strong compliance and regulatory practices, including the requirement of two pieces of identification for every customer. We are active in I-502 retail stores and have not had any issues.

OTHER: We are following the DFI's lead on this issue. The DFI has approved the use of virtual currency in our state, so we do not prohibit its use in retail stores. We are unaware of any problems with the use of virtual currency. We had concerns early on with the amount of cash that was in the marijuana system, but less than 10 percent of the payments to the LCB are made in cash anymore. Most marijuana businesses bank with credit unions and make electronic payments to us.

Persons Testifying: PRO: Senator Ann Rivers, Prime Sponsor; Tom Parker, Payqwick; Kenneth Berke, PayQwick.

CON: Joseph Cutler, Perkins Coie; Ryan Hamlin, POSaBIT; Jon Baugher, POSaBIT.

OTHER: James Paribello, WSLCB; Becky Smith, WSLCB.

Persons Signed In To Testify But Not Testifying: No one.