

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 2891

STATE OF NEW JERSEY 219th LEGISLATURE

DATED: MARCH 3, 2021

SUMMARY

Synopsis: “Digital Asset and Blockchain Technology Act.”

Type of Impact: Annual State expenditure and revenue increases.

Agencies Affected: Department of Banking and Insurance

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure Increase	Indeterminate
State Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that the bill will increase annual State revenue and annual State expenditures by indeterminate amounts, which may or may not offset one another. The OLS cannot quantify the annual increases because it is unclear how many applications for licenses the Department of Banking and Insurance (DOBI) will receive, the number of penalties that will be imposed by DOBI on individuals violating the provisions of the bill, and whether any administrative costs incurred by DOBI can be absorbed within the department’s current operating budget.

BILL DESCRIPTION

This bill regulates digital asset business activity. The bill defines “digital asset” to mean a representation of economic, proprietary, or access rights that is stored in a machine-readable format, has a transaction history that is recorded in a distributed, digital ledger or digital data structure in which consensus is achieved through a mathematically verifiable process.

The bill provides that a person may not engage in a digital asset business activity, or hold itself out as being able to engage in a digital asset business activity, with or on behalf of a resident unless the person is licensed in this State by the DOBI, or has filed a pending license with the department,

or is licensed in another state to conduct digital asset business activity by a State with which this state has a reciprocity agreement.

The bill provides the department may license a person to carry on one or more digital asset business activities described in the bill. The bill provides that an application for a license is to be made in the form and medium to be prescribed by the department by regulation and that each application is to be accompanied by a nonrefundable fee. Any person who violates the provisions requiring licensure is liable for a penalty of \$500 per day, from the first day the department issues a notice of failure to apply a license until a license application is filed with the department.

The bill requires the department to grant or deny any digital asset business license application or license reciprocity application within 30 days of its receipt, and the department may refuse an application for a digital asset business license or license reciprocity application if a licensee or applicant fails to meet certain standards specified in the bill.

The bill provides that the department may audit any digital asset business licensee and may suspend or revoke a digital asset business license upon certain findings that are provided in the bill.

Under the bill, for purposes of calculating net gains or income and dividends pursuant to State law, gross income does not include certain income or dividends.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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Section: Commerce, Labor and Industry
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Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).