

**SENATE, No. 666**

**STATE OF NEW JERSEY**  
**221st LEGISLATURE**

PRE-FILED FOR INTRODUCTION IN THE 2024 SESSION

**Sponsored by:**

**Senator ROBERT W. SINGER**

**District 30 (Monmouth and Ocean)**

**Senator VIN GOPAL**

**District 11 (Monmouth)**

**SYNOPSIS**

"Virtual Currency and Blockchain Regulation Act."

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT concerning virtual currency and blockchain, and amending  
2 and supplementing various parts of the statutory law.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6

7 1. (New section) This act shall be known and may be cited as  
8 the "Virtual Currency and Blockchain Regulation Act."

9

10 2. (New section) As used in P.L. , c. (C. ) (pending  
11 before the Legislature as this bill):

12 "Affiliate" means any person that directly or indirectly controls,  
13 is controlled by, or is under common control with, another person.

14 "Blockchain" means a digital ledger or database which is  
15 chronological, consensus-based, decentralized and mathematically  
16 verified in nature.

17 "Commissioner" means the Commissioner of Banking and  
18 Insurance.

19 "Consumptive" means a circumstance when a token is  
20 exchangeable for, or provided for the receipt of, services, software,  
21 content or real or tangible personal property, including rights of  
22 access to services, content or real or tangible personal property.

23 "Department" means the Department of Banking and Insurance.

24 "Developer" means the person primarily responsible for creating  
25 an open blockchain token or otherwise designing the token,  
26 including by executing the technological processes necessary to  
27 create the token.

28 "Digital asset" means a representation of economic, proprietary  
29 or access rights that is stored in a computer readable format, and  
30 includes digital consumer assets, digital securities and virtual  
31 currency. As used in P.L. , c. (C. ) (pending before the  
32 Legislature as this bill), the terms digital consumer asset, digital  
33 security, and virtual currency shall be mutually exclusive.

34 "Digital consumer asset" means a digital asset that is used or  
35 bought primarily for consumptive, personal or household purposes  
36 and includes:

37 (1) An open blockchain token constituting intangible personal  
38 property as otherwise provided by law; and

39 (2) Any other digital asset which is not virtual currency or a  
40 digital security.

41 "Digital security" means a digital asset which constitutes a  
42 security, as defined in P.L.1967, c.93 (C.49:3-49), but shall exclude  
43 digital consumer assets and virtual currency.

44 "Facilitator" means a person who, as a business, makes open  
45 blockchain tokens pursuant to subsection a. of section 2 of P.L. ,

**EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.**

**Matter underlined thus is new matter.**

1 c. (C. ) (pending before the Legislature as this bill) available  
2 for resale to the public after a token has been purchased by an initial  
3 buyer.

4 "Financial investment" means a contract, transaction or  
5 arrangement where a person invests money in a common enterprise  
6 and is led to expect profits solely from the efforts of a promoter or a  
7 third party.

8 "Open blockchain token" means a digital unit that is:

9 (1) created:

10 (a) in response to the verification or collection of a specified  
11 number of transactions relating to a digital ledger or database;

12 (b) by deploying computer code to a digital ledger or database,  
13 which may include a blockchain, that allows for the creation of  
14 digital tokens or other units; or

15 (c) using a combination of the methods specified in paragraphs  
16 (a) and (b) of this paragraph.

17 (2) recorded to a digital ledger or database, which may include a  
18 blockchain; and

19 (3) capable of being traded or transferred between persons  
20 without an intermediary or custodian of value.

21 "Open blockchain token" shall not include virtual currency or  
22 digital security as those terms are defined in this section.

23 "Person" means any individual, partnership, corporation,  
24 association, trust, or other business combination or entity, however  
25 organized.

26 "Seller" means a person who makes an open blockchain token  
27 available for purchase to an initial buyer.

28 "Virtual currency" means a digital asset that is:

29 (1) used as a medium of exchange, unit of account or store of  
30 value; and

31 (2) not recognized as legal tender by the United States  
32 government.

33

34 3. (New section) a. An open blockchain token shall be  
35 intangible personal property if it meets the following  
36 characteristics:

37 (1) the predominant purpose of the token is consumptive;

38 (2) the developer or seller did not market the token to the initial  
39 buyer as a financial investment; and

40 (3) at least one of the following is satisfied:

41 (a) the developer or seller reasonably believed that it sold the  
42 token to the initial buyer for a consumptive purpose;

43 (b) the token has a consumptive purpose that is available at or  
44 near the time of sale and can be used at or near the time of sale for a  
45 consumptive purpose;

- 1 (c) the initial buyer of the token is prohibited by the developer  
2 or seller of the token from reselling the token until the token is  
3 available to be used for a consumptive purpose; or
- 4 (d) the developer or seller takes other reasonable precautions to  
5 prevent an initial buyer from purchasing the token as a financial  
6 investment.
- 7 b. Before making an open blockchain token available for sale,  
8 the developer or seller of a token, or the registered agent of the  
9 developer or seller, shall electronically file a notice of intent with  
10 the Department of the Banking and Insurance and pay a filing fee of  
11 \$1,000. The notice of intent shall contain the name of the person  
12 acting as a developer or seller, the contact information of the  
13 person, or the registered agent of the person and comprehensive  
14 details, to be determined by the Commissioner of Banking and  
15 Insurance, on the open blockchain token made available for sale. A  
16 form shall be made available by the department for this purpose,  
17 which shall include a secure electronic form conspicuously posted  
18 on the department's Internet website. A developer, seller and the  
19 registered agent of these persons, if applicable, shall have a  
20 continuing duty to update the contact information provided on a  
21 notice of intent as long as the open blockchain token associated  
22 with the notice is actively being sold.
- 23 c. A facilitator shall:
- 24 (1) before making any token available for resale to the public,  
25 confirm with the department that a notice of intent has been filed  
26 pursuant to subsection b. of this section;
- 27 (2) at all times, have a reasonable and good faith belief that a  
28 token subject to resale conforms to the requirements of subsection  
29 a. of this section; and
- 30 (3) take reasonably prompt action to terminate the resale of a  
31 token that does not conform to the requirements of subsection a. of  
32 this section.
- 33 d. A willful failure by a developer, seller or facilitator to  
34 comply with the duties imposed by P.L. , c. (C. ) (pending  
35 before the Legislature as this bill) shall constitute an unlawful  
36 practice under P.L.1960, c.39 (C.56:8-1 et seq.), and shall be  
37 subject to all remedies and penalties available pursuant to P.L.1960,  
38 c.39 (C.56:8-1 et seq.) in addition to any other remedies or penalties  
39 provided by law. A developer, seller or facilitator is subject to all  
40 applicable criminal statutes.
- 41 e. The commissioner may refer the following to appropriate  
42 State or federal agencies for investigation, criminal prosecution,  
43 civil penalties and other appropriate enforcement actions:
- 44 (1) suspected violations of this section; and
- 45 (2) the developer, seller or facilitator of either an open  
46 blockchain token which conforms to the requirements of this  
47 section or another digital asset which substantially resembles an

1 open blockchain token, but which, in the determination of the  
2 commissioner, is being sold for financial investment or fraudulent  
3 purposes.

4  
5 4. (New section) a. Digital assets shall be classified in the  
6 following manner:

7 (1) Digital consumer assets are intangible personal property and  
8 shall be considered general intangibles, as defined in N.J.S.12A:9-  
9 102;

10 (2) Digital securities are intangible personal property and shall  
11 be considered securities, as defined in N.J.S.12A:8-102, and  
12 investment property, as defined in N.J.S.12A:9-102; and

13 (3) Virtual currency is intangible personal property and shall be  
14 considered money, notwithstanding N.J.S.12A:1-201.

15 b. Consistent with N.J.S.12A:8-102, a digital asset may be  
16 treated as a financial asset, pursuant to a written agreement with the  
17 owner of the digital asset. If treated as a financial asset, the digital  
18 asset shall remain intangible personal property.

19 c. Classification of digital assets under this section shall be  
20 construed in a manner to give the greatest effect to  
21 P.L. , c. (C. ) (pending before the Legislature as this bill),  
22 but shall not be construed to apply to any other asset.

23  
24 5. (New section) a. Notwithstanding the financing statement  
25 requirement specified by N.J.S.12A:9-310, perfection of a security  
26 interest in a digital asset may be achieved through control, as  
27 defined in subsection e. of this section. A security interest held by a  
28 secured party having control of a digital asset has priority over a  
29 security interest held by a secured party that does not have control  
30 of the asset.

31 b. Before a secured party may take control of a digital asset  
32 under this section, the secured party shall enter into a control  
33 agreement with the debtor. A control agreement may also set forth  
34 the terms under which a secured party may pledge its security  
35 interest in the digital asset as collateral for another transaction.

36 c. A secured party may file a financing statement with the  
37 Division of Revenue and Enterprise Services, including to perfect a  
38 security interest in proceeds from a digital asset pursuant to  
39 N.J.S.12A:9-315.

40 d. Notwithstanding any law, rule, or regulation to the contrary,  
41 a transferee shall take a digital asset free of any security interest  
42 two years after the transferee takes the asset for value and does not  
43 have actual notice of an adverse claim. This subsection shall only  
44 apply to a security interest perfected by a method other than control.

45 e. Perfection by control creates a possessory security interest in  
46 a digital asset and does not require physical possession. For  
47 purposes of this section, a digital asset is located within the State if

1 the asset is held by a custodian, debtor or secured party that is  
2 physically located within the State.

3 f. As used in this section:

4 "Control" means:

5 (1) a secured party, or an agent, custodian, fiduciary or trustee  
6 of the party, has the exclusive legal authority to conduct a  
7 transaction relating to a digital asset, including by means of a  
8 private key or the use of a multi signature arrangement authorized  
9 by the secured party; or

10 (2) a smart contract created by a secured party which has the  
11 exclusive legal authority to conduct a transaction relating to a  
12 digital asset.

13 "Multi signature arrangement" means a system of access control  
14 relating to a digital asset for the purposes of preventing  
15 unauthorized transactions relating to the asset, in which two or  
16 more private keys are required to conduct a transaction, or any  
17 substantially similar analogue.

18 "Private key" means a unique element of cryptographic data, or  
19 any substantially similar analogue, which is:

20 (1) held by a person;

21 (2) paired with a unique, publicly available element of  
22 cryptographic data; and

23 (3) associated with an algorithm that is necessary to carry out an  
24 encryption or decryption required to execute a transaction.

25 "Smart Contract" means:

26 (1) an automated transaction conducted or performed, in whole  
27 or in part, by electronic means or electronic records, in which the  
28 acts or records of one or both parties are not reviewed by an  
29 individual in the ordinary course in forming a contract, performing  
30 under an existing contract or fulfilling an obligation required by the  
31 transaction; or

32 (2) any substantially similar analogue, which is comprised of  
33 code, script or programming language that executes the terms of an  
34 agreement, and which may include taking custody of and  
35 transferring an asset, or issuing executable instructions for these  
36 actions, based on the occurrence or nonoccurrence of specified  
37 conditions.

38

39 6. (New section) a. A bank may provide custodial services  
40 consistent with this section upon providing 60 days written notice to  
41 the Commissioner of the Department of Banking and Insurance.  
42 The provisions of this section are cumulative and not exclusive as  
43 an optional framework for enhanced supervision of digital asset  
44 custody. If a bank elects to provide custodial services under this  
45 section, it shall comply with all provisions of this section.

46 b. A bank may serve as a qualified custodian under federal  
47 Securities and Exchange Commission rules established pursuant to

1 17 C.F.R. s.275.206(4). In performing custodial services under this  
2 section, a bank shall:

3 (1) implement all accounting, account statement, internal  
4 control, notice and other standards specified by applicable state or  
5 federal law and regulations for custodial services;

6 (2) maintain information technology best practices relating to  
7 digital assets held in custody. The commissioner may specify  
8 required best practices by rule;

9 (3) fully comply with applicable federal anti-money laundering,  
10 customer identification and beneficial ownership requirements; and

11 (4) take other actions necessary to carry out this section, which  
12 may include exercising fiduciary powers similar to those permitted  
13 to national banks and ensuring compliance with federal law  
14 governing digital assets classified as commodities.

15 c. A bank providing custodial services shall enter into an  
16 agreement with an independent public accountant to conduct an  
17 examination conforming to the requirements of 17 C.F.R.  
18 s.275.206(4) 2(a)(4) and (6), at the cost of the bank. The  
19 accountant shall transmit the results of the examination to the  
20 commissioner within 120 days of the examination and may file the  
21 results with the federal Securities and Exchange Commission as its  
22 rules may provide. Material discrepancies in an examination shall  
23 be reported to the commissioner within one business day. The  
24 commissioner shall review examination results upon receipt within  
25 a reasonable time and during any regular examination conducted  
26 pursuant to P.L.1948, c.67 (C.17:9A-260).

27 d. Digital assets held in custody pursuant to this section shall  
28 not be depository liabilities or assets of the bank. A bank, or a  
29 subsidiary, may register as an investment adviser, investment  
30 company or broker dealer as necessary. A bank shall maintain  
31 control over a digital asset while in custody. A customer shall elect,  
32 pursuant to a written agreement with the bank, one of the following  
33 relationships for each digital asset held in custody:

34 (1) Custody under a bailment as a nonfungible or fungible asset.  
35 Assets held under this paragraph shall be strictly segregated from  
36 other assets; or

37 (2) Custody under a bailment pursuant to subsection e. of this  
38 section.

39 e. If a customer makes an election under subsection d. of this  
40 section, the bank may, based only on customer instructions,  
41 undertake transactions with the digital asset. A bank maintains  
42 control pursuant to subsection d. of this section by entering into an  
43 agreement with the counterparty to a transaction which contains a  
44 time for return of the asset. The bank shall not be liable for any loss  
45 suffered with respect to a transaction under this subsection, except  
46 for liability consistent with fiduciary and trust powers as a  
47 custodian under this section.

1 f. A bank and a customer shall agree in writing regarding the  
2 source code version the bank will use for each digital asset, and the  
3 treatment of each asset under chapter 8 of Title 12A of the New  
4 Jersey Statutes. Any ambiguity under this subsection shall be  
5 resolved in favor of the customer.

6 g. A bank shall provide clear, written notice to each customer,  
7 and require written acknowledgement, of the following:

8 (1) prior to the implementation of any updates, material source  
9 code updates relating to digital assets held in custody, except in  
10 emergencies which may include security vulnerabilities;

11 (2) the heightened risk of loss from transactions under  
12 subsection e. of this section;

13 (3) that some risk of loss as a pro rata creditor exists as the  
14 result of custody as a fungible asset or custody under paragraph (2)  
15 of subsection d. of this section;

16 (4) that custody under paragraph (2) of subsection d. of this  
17 section may not result in the digital assets of the customer being  
18 strictly segregated from other customer assets; and

19 (5) that the bank is not liable for losses suffered under  
20 subsection e. of this section, except for liability consistent with  
21 fiduciary and trust powers as a custodian under this section.

22 h. A bank and a customer shall agree in writing to a time  
23 period within which the bank shall return a digital asset held in  
24 custody under this section. If a customer makes an election under  
25 paragraph (2) of subsection d. of this section, then the bank and the  
26 customer may also agree in writing to the form in which the digital  
27 asset shall be returned.

28 i. All ancillary or subsidiary proceeds relating to digital assets  
29 held in custody under this section shall accrue to the benefit of the  
30 customer, except as specified by a written agreement with the  
31 customer. The bank shall not collect ancillary or subsidiary  
32 proceeds, unless the collection is disclosed in writing. A customer  
33 who makes an election under paragraph (1) of subsection d. of this  
34 section may withdraw the digital asset in a form that permits the  
35 collection of the ancillary or subsidiary proceeds.

36 j. A bank shall not authorize or permit rehypothecation of  
37 digital assets under this section. The bank shall not engage in any  
38 activity to use or exercise discretionary authority relating to a  
39 digital asset except based on customer instructions.

40 k. A bank shall not take any action under this section which  
41 would likely impair the solvency or the safety and soundness of the  
42 bank, as determined by the commissioner after considering the  
43 nature of custodial services customary in the banking industry.

44 l. As used in this section:

45 "Bank" has the meaning ascribed to it in P.L.1948, c.67  
46 (C.17:9A-1).



1 "Custodial services" means the safekeeping and management of  
2 customer currency and digital assets through the exercise of  
3 fiduciary and trust powers under this section as a custodian, and  
4 includes fund administration and the execution of customer  
5 instructions.

6  
7 7. Section 2 of P.L.1998, c.14 (C.17:15C-2) is amended to read  
8 as follows:

9 2. As used in **[this act]** P.L.1998, c.14 (C.17:15C-1 et seq.):

10 "Applicant" means a person filing an application for a license  
11 under **[this act]** P.L.1998, c.14 (C.17:15C-1 et seq.).

12 "Authorized delegate" means an entity authorized by the licensee  
13 pursuant to the provisions of section 17 of **[this act]** P.L.1998, c.14  
14 (C.17:15C-17) to sell or issue payment instruments or engage in the  
15 business of transmitting money on behalf of a licensee.

16 "Commissioner" means the Commissioner of Banking and  
17 Insurance.

18 "Control" means ownership of, or the power to vote, 25 percent  
19 or more of the outstanding voting securities of a licensee or  
20 controlling person. For purposes of determining the percentage of a  
21 licensee controlled by any person, there shall be aggregated with  
22 the person's interest the interest of any other person controlled by  
23 that person or by any spouse, parent, or child of that person.

24 "Controlling person" means any person in control of a licensee.

25 "Department" means the Department of Banking and Insurance.

26 "Executive officer" means the licensee's president, chairman of  
27 the executive committee, senior officer responsible for the  
28 licensee's business in this State, chief financial officer and any other  
29 person who performs similar functions.

30 "Foreign money transmitter" means a person who engages, in  
31 this State, only in the business of the receipt of money for  
32 transmission or transmitting money to locations outside of the  
33 United States by any and all means, including but not limited to  
34 payment instrument, wire, facsimile, electronic transfer, or  
35 otherwise for a fee, commission or other benefit.

36 "Key shareholder" means any person, or group of persons acting  
37 in concert, who is the owner of 25 percent or more of any voting  
38 class of an applicant's stock.

39 "Licensee" means a person licensed under **[this act]** P.L.1998,  
40 c.14 (C.17:15C-1 et seq.).

41 "Location" means a place of business at which activities  
42 regulated by **[this act]** P.L.1998, c.14 (C.17:15C-1 et seq.) occur.

43 "Material litigation" means any litigation that, according to  
44 generally accepted accounting principles, is deemed significant to  
45 any applicant's or licensee's financial health and would be required  
46 to be referenced in that entity's annual audited financial statements,  
47 report to shareholders or similar documents.

1 "Money" means a medium of exchange authorized or adopted by  
2 the United States or a foreign government as a part of its currency  
3 and that is customarily used and accepted as a medium of exchange  
4 in the country of issuance.

5 "Money transmitter" means a person who engages in this State in  
6 the business of:

7 (1) the sale or issuance of payment instruments for a fee,  
8 commission or other benefit;

9 (2) the receipt of money for transmission or transmitting money  
10 within the United States or to locations abroad by any and all  
11 means, including but not limited to payment instrument, wire,  
12 facsimile, electronic transfer, or otherwise for a fee, commission or  
13 other benefit; or

14 (3) the receipt of money for obligors for the purpose of paying  
15 obligors' bills, invoices or accounts for a fee, commission or other  
16 benefit paid by the obligor.

17 "Outstanding payment instrument" means any payment  
18 instrument issued by the licensee which has been sold in the United  
19 States directly by the licensee or any payment instrument issued by  
20 the licensee which has been sold by an authorized delegate of the  
21 licensee in the United States, which has been reported to the  
22 licensee as having been sold, and which has not yet been paid by or  
23 for the licensee.

24 "Payment instrument" means any check, draft, money order,  
25 travelers check or other instrument or written order for the  
26 transmission or payment of money, sold or issued to one or more  
27 persons, whether or not the instrument is negotiable. The term  
28 "payment instrument" does not include any credit card voucher, any  
29 letter of credit or any instrument which is redeemable by the issuer  
30 in goods or services.

31 "Permissible investments" means:

32 (1) cash;

33 (2) certificates of deposit or other debt obligations of a bank,  
34 savings bank, savings and loan association, or credit union, either  
35 domestic or foreign;

36 (3) bills of exchange or time drafts drawn on and accepted by a  
37 commercial bank, otherwise known as bankers' acceptances, which  
38 are eligible for purchase by member banks of the Federal Reserve  
39 System;

40 (4) any investment which is rated in one of the three highest  
41 rating categories by a nationally recognized statistical rating  
42 organization;

43 (5) investment securities that are obligations of the United  
44 States, its agencies or instrumentalities, or obligations that are  
45 guaranteed fully as to principal and interest by the United States, or  
46 any obligations of any state, municipality or any political

- 1 subdivision thereof which is rated in one of the three highest rating  
2 categories by a nationally recognized statistical rating organization;
- 3 (6) shares in a money market mutual fund, interest-bearing bills,  
4 notes or bonds, debentures or stock traded on any national securities  
5 exchange or on a national over-the-counter market, or mutual funds  
6 primarily composed of those securities or a fund composed of one  
7 or more permissible investments as set forth in this section;
- 8 (7) demand borrowing agreements made to a corporation or a  
9 subsidiary of a corporation whose capital stock is listed on a  
10 national exchange;
- 11 (8) receivables which are due to a licensee from its authorized  
12 delegates pursuant to a contract described in section 17 of **[this act]**  
13 P.L.1998, c.14 (C.17:15C-17), which are not past due or doubtful of  
14 collection; or
- 15 (9) any other investments or security device which the  
16 commissioner may authorize by rule.
- 17 “Virtual currency” means any type of digital representation that:  
18 (1) is used as a medium of exchange, unit of account or store of  
19 value; and  
20 (2) is not recognized as legal tender by the United States  
21 government.  
22 (cf: P.L.1998, c.14, s.2)
- 23
- 24 8. Section 3 of P.L.1998, c.14 (C.17:15C-3) is amended to read  
25 as follows:
- 26 3. a. **[This act]** P.L.1998, c.14 (C.17:15C-1 et seq.) shall not  
27 apply to:
- 28 (1) The United States or any department, agency, or  
29 instrumentality thereof;
- 30 (2) The United States Postal Service;
- 31 (3) The State or any political subdivision thereof;
- 32 (4) Banks, bank holding companies, credit unions, building and  
33 loan associations, savings and loan associations, savings banks or  
34 mutual banks organized under the laws of any state or the United  
35 States, provided that they do not issue or sell payment instruments  
36 through authorized delegates who are not banks, bank holding  
37 companies, credit unions, building and loan associations, savings  
38 and loan associations, savings banks or mutual banks;
- 39 (5) The provision of electronic transfer of government benefits  
40 for any federal, state or county agency as defined in Regulation E,  
41 12 C.F.R. s.205.1 et seq., by a contractor for and on behalf of the  
42 United States or any department, agency or instrumentality thereof,  
43 or any state or political subdivision thereof; **[and]**
- 44 (6) A person licensed to conduct business as a debt adjuster  
45 pursuant to P.L.1979, c.16 (C.17:16G-1 et seq.), when acting within  
46 the scope of activities regulated by that license; and

1       (7) Buying, selling, issuing, or taking custody of payment  
2 instruments or stored value in the form of virtual currency or  
3 receiving virtual currency for transmission to a location within or  
4 outside the United States.

5       b. Authorized delegates of a licensee, acting within the scope  
6 of authority conferred by a written contract as described in section  
7 17 of **[this act]** P.L.1998, c.14 (C.17:15C-17) shall not be required  
8 to obtain a license pursuant to **[this act]** P.L.1998, c.14 (C.17:15C-  
9 1 et seq.).

10 (cf: P.L.1998, c.14, s.3)

11  
12       9. (New section) As used in sections 9 through 21 of P.L.   , c.  
13 (C.   ) (pending before the Legislature as this bill):

14       "Blockchain" means a digital ledger or database which is  
15 chronological, consensus-based, decentralized and mathematically  
16 verified in nature.

17       "Decentralized autonomous organization" means a limited  
18 liability company organized under P.L.   , c.   (C.   ) (pending  
19 before the Legislature as this bill).

20       "Digital asset" means a representation of economic, proprietary  
21 or access rights that is stored in a computer readable format and is  
22 either a digital consumer asset, digital security or virtual currency

23       "Limited liability autonomous organization" or "LAO" means a  
24 decentralized autonomous organization.

25       "Majority of the members," means the approval of more than 50  
26 percent of participating membership interests in a vote for which a  
27 quorum of members is participating. A person dissociated as a  
28 member as set forth in section 46 of P.L.2012, c.50 (C.42:2C-46)  
29 shall not be included for the purposes of calculating the majority of  
30 the members;

31       "Membership interest" means a member's ownership share in a  
32 member managed decentralized autonomous organization, which  
33 may be defined in the entity's articles of organization, smart  
34 contract or operating agreement. A membership interest may also be  
35 characterized as either a digital security or a digital consumer asset,  
36 if designated as such in the organization's articles of organization or  
37 operating agreement.

38       "Open blockchain" means a blockchain that is publicly  
39 accessible and its ledger of transactions is transparent.

40       "Quorum" means a minimum requirement on the sum of  
41 membership interests participating in a vote for that vote to be  
42 valid.

43       "Smart Contract" means:

44       (1) an automated transaction conducted or performed, in whole  
45 or in part, by electronic means or electronic records, in which the  
46 acts or records of one or both parties are not reviewed by an  
47 individual in the ordinary course in forming a contract, performing

1 under an existing contract or fulfilling an obligation required by the  
2 transaction; or

3 (2) any substantially similar analogue, which is comprised of  
4 code, script or programming language that executes the terms of an  
5 agreement, and which may include taking custody of and  
6 transferring an asset, or issuing executable instructions for these  
7 actions, based on the occurrence or nonoccurrence of specified  
8 conditions.

9  
10 10. (New section) a. The "Revised Uniform Limited Liability  
11 Company Act," P.L.2012, c.50 (C.42:2C-1 et seq.) shall apply to  
12 decentralized autonomous organizations to the extent not  
13 inconsistent with the provisions of P.L. , c. (C. ) (pending  
14 before the Legislature as this bill).

15 b. P.L. , c. (C. ) (pending before the Legislature as this  
16 bill) shall not repeal or modify any statute or rule of law that applies  
17 to a limited liability company that is organized under P.L.2012, c.50  
18 (C.42:2C-1 et seq.) that does not elect to become a decentralized  
19 autonomous organization.

20  
21 11. (New section) a. A decentralized autonomous organization  
22 is a limited liability company the articles of organization of which  
23 contain a statement that the company is a decentralized autonomous  
24 organization as described in subsection c. of this section.

25 b. A limited liability company formed under P.L.2012, c.50  
26 (C.42:2C-1 et seq.) may convert to a decentralized autonomous  
27 organization by amending its articles of organization to include the  
28 statement required by subsections a. and c. of this section and  
29 section 13 of P.L. , c. (C. ) (pending before the Legislature  
30 as this bill).

31 c. A statement in substantially the following form shall appear  
32 conspicuously in the articles of organization or operating  
33 agreement, if applicable, in a decentralized autonomous  
34 organization:

35  
36 **NOTICE OF RESTRICTIONS ON DUTIES AND TRANSFERS**

37  
38 The rights of members in a decentralized autonomous organization  
39 may differ materially from the rights of members in other limited  
40 liability companies. New Jersey's decentralized autonomous  
41 organization law, underlying smart contracts, articles of  
42 organization and operating agreement, if applicable, of a  
43 decentralized autonomous organization may define, reduce or  
44 eliminate fiduciary duties and may restrict transfer of ownership  
45 interests, withdrawal or resignation from the decentralized  
46 autonomous organization, return of capital contributions and  
47 dissolution of the decentralized autonomous organization.

1 d. The registered name for a decentralized autonomous  
2 organization shall include wording or abbreviation to denote its  
3 status as a decentralized autonomous organization, specifically  
4 "DAO", "LAO", or "DAO LLC."

5 e. A statement in the articles of organization may define the  
6 decentralized autonomous organization as either a member managed  
7 decentralized autonomous organization or an algorithmically  
8 managed decentralized autonomous organization. If the type of  
9 decentralized autonomous organization is not otherwise provided  
10 for, the limited liability company will be presumed to be a member  
11 managed decentralized autonomous organization.

12

13 12. (New section) a. Any person may form a decentralized  
14 autonomous organization, which shall have one or more members  
15 by signing and delivering one original and one exact or conformed  
16 copy of the articles of organization to the filing office for filing.  
17 The person forming the decentralized autonomous organization  
18 need not be a member of the organization.

19 b. A decentralized autonomous organization shall have and  
20 continuously maintain in this State a registered agent as provided in  
21 section 14 of P.L.2012, c.50 (C.42:2C-14).

22 c. A decentralized autonomous organization may form and  
23 operate for any lawful purpose, regardless of whether for profit.

24 d. An algorithmically managed decentralized autonomous  
25 organization may only form under P.L. , c. (C. ) (pending  
26 before the Legislature as this bill) if the underlying smart contracts  
27 are able to be updated, modified or otherwise upgraded.

28

29 13. (New section) a. The articles of organization of a  
30 decentralized autonomous organization shall include a statement  
31 that the organization is a decentralized autonomous organization,  
32 pursuant to section 11 of P.L. , c. (C. ) (pending before the  
33 Legislature as this bill) and section 18 of P.L.2012, c.50 (C.42:2C-  
34 18).

35 b. In addition to the requirements of subsection a. of this  
36 section the articles of organization shall include a publicly available  
37 identifier of any smart contract directly used to manage, facilitate or  
38 operate the decentralized autonomous organization.

39 c. Except as otherwise provided in P.L. , c. (C. )  
40 (pending before the Legislature as this bill), the articles of  
41 organization and the smart contracts for a decentralized autonomous  
42 organization shall govern all of the following:

43 (1) relations among the members and between the members and  
44 the decentralized autonomous organization;

45 (2) rights and duties under P.L. , c. (C. ) (pending before  
46 the Legislature as this bill) of a person in the person's capacity as a  
47 member;

- 1 (3) activities of the decentralized autonomous organization and  
2 the conduct of those activities;
- 3 (4) means and conditions for amending the operating agreement;
- 4 (5) rights and voting rights of members;
- 5 (6) transferability of membership interests;
- 6 (7) withdrawal of membership;
- 7 (8) distributions to members prior to dissolution;
- 8 (9) amendment of the articles of organization;
- 9 (10) procedures for amending, updating, editing or changing  
10 applicable smart contracts; and
- 11 (11) all other aspects of the decentralized autonomous  
12 organization.
- 13 d. Articles of organization shall be amended when:
- 14 (1) there is a change in the name of the decentralized  
15 autonomous organization;
- 16 (2) there is a false or erroneous statement in the articles of  
17 organization; or
- 18 (3) the decentralized autonomous organization's smart contracts  
19 have been updated or changed.
- 20
- 21 14. (New section) To the extent the articles of organization or  
22 smart contract do not otherwise provide for a matter described in  
23 section 13 of P.L. , c. (C. ) (pending before the Legislature  
24 as this bill), the operation of a decentralized autonomous  
25 organization may be supplemented by an operating agreement.
- 26
- 27 15. (New section) Management of a decentralized autonomous  
28 organization shall be vested in its members, if member managed, or  
29 the smart contract, if algorithmically managed, unless otherwise  
30 provided in the articles of organization or operating agreement.
- 31
- 32 16. (New section) Unless otherwise provided for in the articles  
33 of organization or operating agreement, no member of a  
34 decentralized autonomous organization shall have any fiduciary  
35 duty to the organization or any member except that the members  
36 shall be subject to the implied contractual covenant of good faith  
37 and fair dealing.
- 38
- 39 17. (New section) a. For purposes of this section and section 18  
40 of P.L. , c. (C. ) (pending before the Legislature as this bill)  
41 and unless otherwise provided for in the articles of organization,  
42 smart contract or operating agreement:
- 43 (1) membership interests in a member managed decentralized  
44 autonomous organization shall be calculated by dividing a member's  
45 contribution of digital assets to the organization divided by the total  
46 amount of digital assets contributed to the organization at the time  
47 of a vote;

1 (2) if members do not contribute digital assets to an organization  
2 as a prerequisite to becoming a member, each member shall possess  
3 one membership interest and be entitled to one vote;

4 (3) a quorum shall require not less than a majority of  
5 membership interests entitled to vote.

6 b. Members shall have no right to separately inspect or copy  
7 records of a decentralized autonomous organization and the  
8 organization shall have no obligation to furnish any information  
9 concerning the organization's activities, financial condition or other  
10 circumstances to the extent the information is available on an open  
11 blockchain.

12  
13 18. (New section) a. A member may only withdraw from a  
14 decentralized autonomous organization in accordance with the  
15 terms set forth in the articles of organization, the smart contracts or,  
16 if applicable, the operating agreement.

17 b. A member of a decentralized autonomous organization shall  
18 not have the organization dissolved for a failure to return the  
19 members' contribution to capital.

20 c. Unless the organization's articles of organization, smart  
21 contracts or operating agreement provide otherwise, a withdrawn  
22 member forfeits all membership interests in the decentralized  
23 autonomous organization, including any governance or economic  
24 rights.

25  
26 19. (New section) a. A decentralized autonomous organization  
27 organized under P.L. , c. (C. ) (pending before the  
28 Legislature as this bill) shall be dissolved upon the occurrence of  
29 any of the following events:

30 (1) the period fixed for the duration of the organization expires;

31 (2) by vote of the majority of members of a member managed  
32 decentralized autonomous organization;

33 (3) at the time or upon the occurrence of events specified in the  
34 underlying smart contracts or as specified in the articles of  
35 organization or operating agreement;

36 (4) the decentralized autonomous organization has failed to  
37 approve any proposals or take any actions for a period of one year;

38 (5) by order of the Division of Revenue and Enterprise Services  
39 if the decentralized autonomous organization is deemed to no  
40 longer perform a lawful purpose.

41 b. As soon as possible following the occurrence of any of the  
42 events specified in subsection a. of this section causing the  
43 dissolution of a decentralized autonomous organization, the  
44 organization shall execute a statement of intent to dissolve in the  
45 form prescribed by the Division of Revenue and Enterprise  
46 Services.



1       20. (New section) The articles of organization and the operating  
2 agreement of a decentralized autonomous organization are effective  
3 as statements of authority. Where the underlying articles of  
4 organization and operating agreement are in conflict, the articles of  
5 organization shall preempt any conflicting provisions. Where the  
6 underlying articles of organization and smart contract are in  
7 conflict, the smart contract shall preempt any conflicting provisions  
8 of the articles of organization, except as it relates to section 11 of  
9 P.L. , c. (C. ) (pending before the Legislature as this bill) and  
10 subsections a. and b. of section 13 of P.L. , c. (C. ) (pending  
11 before the Legislature as this bill).

12  
13       21. (New section) The Division of Revenue and Enterprise  
14 Services shall not issue a certificate of authority for a foreign  
15 decentralized autonomous organization.

16  
17       22. (New section) a. Not later than December 31, 2022, the  
18 Division of Revenue and Enterprise Services shall develop and  
19 implement a filing system through which all required filings may be  
20 submitted. The division shall endeavor to use blockchain  
21 technology and include an application programming interface as  
22 components of the filing system, as well as robust security measures  
23 and other components determined by the division to be best  
24 practices or which are likely to increase the effective and efficient  
25 administration of the laws of this State. The division may create a  
26 blockchain for the purposes of this section or contract for the use of  
27 a privately created blockchain.

28       b. The division may:

29       (1) consult with all interested parties before developing the  
30 filing system specified in this section, including businesses,  
31 registered agents, attorneys, law enforcement and other interested  
32 persons; and

33       (2) if possible, partner with technology innovators and private  
34 companies to develop necessary components of the system.

35       c. The division shall promulgate such rules and regulations as  
36 the division determines are necessary to effectuate the provisions of  
37 P.L. , c. (C. ) (pending before the Legislature as this bill).

38       d. As used in this section:

39       “Application programming interface” means a computer software  
40 intermediary which allows two distinct software applications to  
41 interact.

42       “Blockchain” means a digital ledger or database which is  
43 chronological, consensus-based, decentralized and mathematically  
44 verified in nature.

45       “Division” means the Division of Revenue and Enterprise  
46 Services in the New Jersey Department of the Treasury.

1 "Required filings" means all documents, reports, data and other  
2 information required by law to be filed with the division.

3  
4 23. (New section) a. The articles of incorporation or bylaws of  
5 a corporation may specify that all or a portion of the shares of the  
6 corporation may be represented by share certificates in the form of  
7 certificate tokens. The electronic message, command or transaction  
8 that transmits the certificate tokens to the data address to which a  
9 certificate token was issued shall be authorized at the time of  
10 issuance by one or more messages, commands or transactions  
11 signed with the network signatures of two officers designated in the  
12 bylaws or by the board of directors of the corporation.

13 b. Notwithstanding any law, rule, or regulation to the contrary,  
14 as used in chapter 7 of Title 14A of the New Jersey Statutes, any  
15 reference to share certificate, share, stock, or words of similar  
16 import shall be construed to include a certificate token.

17 c. Notwithstanding any law, rule, or regulation to the contrary,  
18 the information required by subsection a. of this section shall satisfy  
19 any other requirement of chapter 7 of Title 14A of the New Jersey  
20 Statutes to include information on a share certificate.

21 d. Notwithstanding any law, rule, or regulation to the contrary,  
22 as used in chapter 7 of Title 14A of the New Jersey Statutes, any  
23 reference to certificated shares or words of similar import shall be  
24 construed to include shares represented by certificate tokens, and  
25 any reference to the delivery or deposit of these shares to the  
26 corporation shall be construed to refer to any method of granting  
27 control of the tokens to the corporation.

28 e. Notwithstanding any law, rule, or regulation to the contrary,  
29 as used in chapter 7 of Title 14A of the New Jersey Statutes, any  
30 reference to a certificate being duly endorsed or words of similar  
31 import shall be construed to mean that the transaction authorizing  
32 transfer of control of the certificate token was signed by the lawful  
33 holder of the token with the network signature corresponding to the  
34 lawful holder's data address to which the certificate token was  
35 issued or last lawfully transferred.

36 f. As used in this section:

37 "Blockchain" means a digital ledger or database which is  
38 chronological, consensus based, decentralized and mathematically  
39 verified in nature;

40 "Certificate token" means a representation of shares that is stored  
41 in an electronic format which contains information pursuant to  
42 N.J.S.14A:7-11, and this information is:

43 (1) entered into a blockchain or other secure, auditable database;

44 (2) linked to or associated with the certificate token; and

45 (3) able to be transmitted electronically to the issuing  
46 corporation, the person to whom the certificate token was issued  
47 and any transferee.

1 "Network signature" means a string of alphanumeric characters  
2 that, when broadcast by a person to the data address's corresponding  
3 distributed or other electronic network or database, provides  
4 reasonable assurances to a recipient that the broadcasting person  
5 has knowledge or possession of the private key uniquely associated  
6 with the data address.

7  
8 24. N.J.S.14A:7-11 is amended to read as follows:

9 14A:7-11. (1) The shares of a corporation shall be represented  
10 by certificates or, in accordance with subsection 14A:7-11(6), shall  
11 be uncertificated shares. Certificates shall be signed by, or in the  
12 name of the corporation by, the chairman or vice-chairman of the  
13 board, or the president or a vice-president, and may be  
14 countersigned by the treasurer or an assistant treasurer, or the  
15 secretary or an assistant secretary of the corporation and may be  
16 sealed with the seal of the corporation or a facsimile thereof. Any  
17 or all signatures upon a certificate may be a facsimile. In case any  
18 officer, transfer agent or registrar who has signed or whose  
19 facsimile signature has been placed upon such certificate, shall have  
20 ceased to be such officer, transfer agent, or registrar before such  
21 certificate is issued, it may be issued by the corporation with the  
22 same effect as if he were such officer, transfer agent or registrar at  
23 the date of its issue.

24 (2) Every share certificate delivered after the effective date of  
25 this act by a corporation which is authorized to issue shares of more  
26 than one class shall set forth upon the face or back of the certificate,  
27 a full statement

28 (a) Of the designations, relative rights, preferences and  
29 limitations of the shares of each class and series authorized to be  
30 issued, so far as the same have been determined, and

31 (b) Of the authority of the board to divide the shares into classes  
32 or series and to determine and change the relative rights,  
33 preferences and limitations of any class or series, or shall set forth  
34 that the corporation will furnish to any shareholder, upon request  
35 and without charge, such a full statement.

36 (3) Each certificate representing shares shall state upon the face  
37 thereof

38 (a) That the corporation is organized under the laws of this  
39 State;

40 (b) The name of the person to whom issued; **[and]**

41 (c) The number and class of shares, and the designation of the  
42 series, if any, which such certificate represents, and

43 (d) In the case of a certificate token pursuant to section 23 of  
44 P.L. , c. (C. ) (pending before the Legislature as this bill),  
45 the data address to whom which the token was issued; .

46 (4) No certificate shall be issued for any share until such share  
47 is fully paid.

1 (5) A card which is punched, magnetically coded or otherwise  
2 treated so as to facilitate machine or automatic processing, may be  
3 used as a share certificate if it otherwise complies with the  
4 provisions of this section.

5 (6) The board may provide that some or all of the shares of any  
6 class or series shall be represented by uncertificated shares. Within  
7 a reasonable time after the issuance or transfer of uncertificated  
8 shares, the corporation shall send to the registered owner thereof a  
9 written notice containing the information required to be set forth or  
10 stated on certificates by subsections 14A:7-11(2) and 14A:7-11(3),  
11 and if required, 14A:7-12(2). Except as otherwise expressly  
12 provided by law, the rights and obligations of the holders of  
13 uncertificated shares and the rights and obligations of the holders of  
14 certificates representing shares of the same class and series shall be  
15 identical.

16 (cf: P.L.1988, c.94, s.42)

17

18 25. (New section) a. Receipts from retail sales of energy and  
19 utility service to a virtual currency servicer for use or consumption  
20 directly and primarily in the creation of virtual currency, including  
21 mining, shall be exempt from the tax imposed under the "Sales and  
22 Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

23 b. A virtual currency servicer may file an application for a  
24 sales and use tax exemption with the Director of the Division of  
25 Taxation in the Department of the Treasury. The director shall  
26 process the application within 20 business days of receipt thereof.  
27 An exemption for a virtual currency servicer shall commence upon  
28 notice of approval of its application. Upon approval of its  
29 application, the director shall provide prompt notice to a business.

30 c. For the purposes of this section:

31 "Virtual currency" means a digital asset that is:

32 (1) Used as a medium of exchange, unit of account or store of  
33 value; and

34 (2) Not recognized as legal tender by the United States  
35 government.

36 "Virtual currency servicer" means

37 (1) any person who, as its primary business, engages in virtual  
38 currency creation, including mining;

39 (2) any person who, as its primary business, engages in the  
40 provision of a distributed digital verification system; or

41 (3) any person licensed pursuant to P.L. , c. (C. )  
42 (pending before the Legislature as Assembly Bill No.2891).

43

44 26. Section 2 of P.L.2011, c.149 (C.34:1B-243) is amended to  
45 read as follows:

46 2. As used in P.L.2011, c.149 (C.34:1B-242 et seq.):

1 "Affiliate" means an entity that directly or indirectly controls, is  
2 under common control with, or is controlled by the business.  
3 Control exists in all cases in which the entity is a member of a  
4 controlled group of corporations as defined pursuant to section 1563  
5 of the Internal Revenue Code of 1986 (26 U.S.C. s.1563) or the  
6 entity is an organization in a group of organizations under common  
7 control as defined pursuant to subsection (b) or (c) of section 414 of  
8 the Internal Revenue Code of 1986 (26 U.S.C. s.414). A taxpayer  
9 may establish by clear and convincing evidence, as determined by  
10 the Director of the Division of Taxation in the Department of the  
11 Treasury, that control exists in situations involving lesser  
12 percentages of ownership than required by those statutes. An  
13 affiliate of a business may contribute to meeting either the qualified  
14 investment or full-time employee requirements of a business that  
15 applies for a credit under section 3 of P.L.2007, c.346 (C.34:1B-  
16 209).

17 "Authority" means the New Jersey Economic Development  
18 Authority established by section 4 of P.L.1974, c.80 (C.34:1B-4).

19 "Aviation district" means all areas within the boundaries of the  
20 "Atlantic City International Airport," established pursuant to section  
21 24 of P.L.1991, c.252 (C.27:25A-24), and the Federal Aviation  
22 Administration William J. Hughes Technical Center and the area  
23 within a one-mile radius of the outermost boundary of the "Atlantic  
24 City International Airport" and the Federal Aviation Administration  
25 William J. Hughes Technical Center.

26 "Business" means an applicant proposing to own or lease  
27 premises in a qualified business facility that is:

28 a corporation that is subject to the tax imposed pursuant to  
29 section 5 of P.L.1945, c.162 (C.54:10A-5);

30 a corporation that is subject to the tax imposed pursuant to  
31 sections 2 and 3 of P.L.1945, c.132 (C.54:18A-2 and C.54:18A-3),  
32 section 1 of P.L.1950, c.231 (C.17:32-15) or N.J.S.17B:23-5;

33 a partnership;

34 an S corporation;

35 a limited liability company; or

36 a non-profit corporation.

37 If the business or tenant is a cooperative or part of a cooperative,  
38 then the cooperative may qualify for credits by counting the full-  
39 time employees and capital investments of its member  
40 organizations, and the cooperative may distribute credits to its  
41 member organizations. If the business or tenant is a cooperative  
42 that leases to its member organizations, the lease shall be treated as  
43 a lease to an affiliate or affiliates.

44 A business shall include an affiliate of the business if that  
45 business applies for a credit based upon any capital investment  
46 made by or full-time employees of an affiliate.

1 "Capital investment" in a qualified business facility means  
2 expenses by a business or any affiliate of the business incurred after  
3 application for:

4 a. site preparation and construction, repair, renovation,  
5 improvement, equipping, or furnishing on real property or of a  
6 building, structure, facility, or improvement to real property;

7 b. obtaining and installing furnishings and machinery,  
8 apparatus, or equipment, including but not limited to material goods  
9 subject to bonus depreciation under sections 168 and 179 of the  
10 federal Internal Revenue Code (26 U.S.C. s.168 and s.179), for the  
11 operation of a business on real property or in a building, structure,  
12 facility, or improvement to real property;

13 c. receiving Highlands Development Credits under the  
14 Highlands Transfer Development Rights Program authorized  
15 pursuant to section 13 of P.L.2004, c.120 (C.13:20-13); or

16 d. any of the foregoing.

17 In addition to the foregoing, in a Garden State Growth Zone, the  
18 following qualify as a capital investment: any development,  
19 redevelopment, and relocation costs, including, but not limited to,  
20 site acquisition if made within 24 months of application to the  
21 authority, engineering, legal, accounting, and other professional  
22 services required; and relocation, environmental remediation, and  
23 infrastructure improvements for the project area, including, but not  
24 limited to, on- and off-site utility, road, pier, wharf, bulkhead, or  
25 sidewalk construction or repair.

26 In addition to the foregoing, if a business acquires or leases a  
27 qualified business facility, the capital investment made or acquired  
28 by the seller or owner, as the case may be, if pertaining primarily to  
29 the premises of the qualified business facility, shall be considered a  
30 capital investment by the business and, if pertaining generally to the  
31 qualified business facility being acquired or leased, shall be  
32 allocated to the premises of the qualified business facility on the  
33 basis of the gross leasable area of the premises in relation to the  
34 total gross leasable area in the qualified business facility. The  
35 capital investment described herein may include any capital  
36 investment made or acquired within 24 months prior to the date of  
37 application so long as the amount of capital investment made or  
38 acquired by the business, any affiliate of the business, or any owner  
39 after the date of application equals at least 50 percent of the amount  
40 of capital investment, allocated to the premises of the qualified  
41 business facility being acquired or leased on the basis of the gross  
42 leasable area of the premises in relation to the total gross leasable  
43 area in the qualified business facility made or acquired prior to the  
44 date of application.

45 "College or university" means a county college, an independent  
46 institution of higher education, a public research university, or a  
47 State college.

1 "Commitment period" means the period of time that is 1.5 times  
2 the eligibility period.

3 "County college" means an educational institution established by  
4 one or more counties, pursuant to chapter 64A of Title 18A of the  
5 New Jersey Statutes.

6 "Deep poverty pocket" means a population census tract having a  
7 poverty level of 20 percent or more, and which is located within the  
8 qualified incentive area and has been determined by the authority to  
9 be an area appropriate for development and in need of economic  
10 development incentive assistance.

11 "Disaster recovery project" means a project located on property  
12 that has been wholly or substantially damaged or destroyed as a  
13 result of a federally-declared disaster which, after utilizing all  
14 disaster funds available from federal, State, county, and local  
15 funding sources, demonstrates to the satisfaction of the authority  
16 that access to additional funding authorized pursuant to the "New  
17 Jersey Economic Opportunity Act of 2013," P.L.2013, c.161  
18 (C.52:27D-489p et al.), is necessary to complete the redevelopment  
19 project, and which is located within the qualified incentive area and  
20 has been determined by the authority to be in an area appropriate  
21 for development and in need of economic development incentive  
22 assistance.

23 "Virtual currency servicer" means the same as defined in section  
24 25 of P.L. , c. (C. )(pending before the Legislature as this  
25 bill).

26 "Distressed municipality" means a municipality that is qualified  
27 to receive assistance under P.L.1978, c.14 (C.52:27D-178 et seq.), a  
28 municipality under the supervision of the Local Finance Board  
29 pursuant to the provisions of the "Local Government Supervision  
30 Act (1947)," P.L.1947, c.151 (C.52:27BB-1 et seq.), a municipality  
31 identified by the Director of the Division of Local Government  
32 Services in the Department of Community Affairs to be facing  
33 serious fiscal distress, a SDA municipality, or a municipality in  
34 which a major rail station is located.

35 "Doctoral university" means a university located within New  
36 Jersey that is classified as a doctoral university under the Carnegie  
37 Classification of Institutions of Higher Education's Basic  
38 Classification methodology on the effective date of P.L.2017, c.221.

39 "Eligibility period" means the period in which a business may  
40 claim a tax credit under the Grow New Jersey Assistance Program,  
41 beginning with the tax period in which the authority accepts  
42 certification of the business that it has met the capital investment  
43 and employment requirements of the Grow New Jersey Assistance  
44 Program and extending thereafter for a term of not more than 10  
45 years, with the term to be determined solely at the discretion of the  
46 applicant.

1 "Eligible position" or "full-time job" means a full-time position  
2 in a business in this State, which position the business has filled  
3 with a full-time employee, who shall have their primary office at  
4 the qualified business facility and spend at least 60 percent of their  
5 time at the qualified business facility. This requirement shall  
6 supersede any law, regulation, or incentive agreement that imposes  
7 a requirement that the employee be present at the qualified business  
8 facility for a specified percentage of time greater than 60 percent.  
9 This amendment shall not alter or terminate any waiver of the  
10 requirement that an employee spend time at the qualified business  
11 facility implemented by the authority due to COVID-19 public  
12 health emergency and state of emergency.

13 "Full-time employee" means a person:

14 a. who is employed by a business for consideration for at least  
15 35 hours a week, or who renders any other standard of service  
16 generally accepted by custom or practice as full-time employment;  
17 or

18 b. who is employed by a professional employer organization  
19 pursuant to an employee leasing agreement between the business  
20 and the professional employer organization, in accordance with  
21 P.L.2001, c.260 (C.34:8-67 et seq.) for at least 35 hours a week, or  
22 who renders any other standard of service generally accepted by  
23 custom or practice as full-time employment, and whose wages are  
24 subject to withholding as provided in the "New Jersey Gross  
25 Income Tax Act," N.J.S.54A:1-1 et seq.; or

26 c. who is a resident of another State but whose income is not  
27 subject to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1  
28 et seq. or who is a partner of a business who works for the  
29 partnership for at least 35 hours a week, or who renders any other  
30 standard of service generally accepted by custom or practice as full-  
31 time employment, and whose distributive share of income, gain,  
32 loss, or deduction, or whose guaranteed payments, or any  
33 combination thereof, is subject to the payment of estimated taxes, as  
34 provided in the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1  
35 et seq.; and

36 d. who, except for purposes of the Statewide workforce, is  
37 provided, by the business, with employee health benefits under a  
38 health benefits plan authorized pursuant to State or federal law.

39 With respect to a logistics, manufacturing, energy, defense,  
40 aviation, or maritime business, excluding primarily warehouse or  
41 distribution operations, located in a port district having a container  
42 terminal:

43 the requirement that employee health benefits are to be provided  
44 shall be deemed to be satisfied if the benefits are provided in  
45 accordance with industry practice by a third party obligated to  
46 provide such benefits pursuant to a collective bargaining agreement;



1 full-time employment shall include, but not be limited to,  
2 employees that have been hired by way of a labor union hiring hall  
3 or its equivalent;

4 35 hours of employment per week at a qualified business facility  
5 shall constitute one "full-time employee," regardless of whether or  
6 not the hours of work were performed by one or more persons.

7 For any project located in a Garden State Growth Zone which  
8 qualifies under the "Municipal Rehabilitation and Economic  
9 Recovery Act," P.L.2002, c.43 (C.52:27BBB-1 et al.), or any  
10 project located in the Atlantic City Tourism District as established  
11 pursuant to section 5 of P.L.2011, c.18 (C.5:12-219) and regulated  
12 by the Casino Reinvestment Development Authority, and which  
13 will include a retail facility of at least 150,000 square feet, of which  
14 at least 50 percent will be occupied by either a full-service  
15 supermarket or grocery store, 30 hours of employment per week at a  
16 qualified business facility shall constitute one "full-time employee,"  
17 regardless of whether the hours of work were performed by one or  
18 more persons, and the requirement that employee health benefits are  
19 to be provided shall be deemed to be satisfied if the employees of  
20 the business are covered by a collective bargaining agreement.

21 "Full-time employee" shall not include any person who works as  
22 an independent contractor or on a consulting basis for the business.

23 Full-time employee shall also not include any person who at the  
24 time of project application works in New Jersey for consideration  
25 for at least 35 hours per week, or who renders any other standard of  
26 service generally accepted by custom or practice as full-time  
27 employment but who prior to project application was not provided,  
28 by the business, with employee health benefits under a health  
29 benefits plan authorized pursuant to State or federal law.

30 "Garden State Create Zone" means the campus of a doctoral  
31 university, and the area within a three-mile radius of the outermost  
32 boundary of the campus of a doctoral university, according to a map  
33 appearing in the doctoral university's official catalog or other  
34 official publication on the effective date of P.L.2017, c.221.

35 "Garden State Growth Zone" or "growth zone" means the four  
36 New Jersey cities with the lowest median family income based on  
37 the 2009 American Community Survey from the US Census, (Table  
38 708. Household, Family, and Per Capita Income and Individuals,  
39 and Families Below Poverty Level by City: 2009); a municipality  
40 which contains a Tourism District as established pursuant to section  
41 5 of P.L.2011, c.18 (C.5:12-219) and regulated by the Casino  
42 Reinvestment Development Authority; or an aviation district.

43 "Highlands development credit receiving area or redevelopment  
44 area" means an area located within a qualified incentive area and  
45 designated by the Highlands Water Protection and Planning Council  
46 for the receipt of Highlands Development Credits under the

1 Highlands Transfer Development Rights Program authorized  
2 pursuant to section 13 of P.L.2004, c.120 (C.13:20-13).

3 "Incentive agreement" means the contract between the business  
4 and the authority, which sets forth the terms and conditions under  
5 which the business shall be eligible to receive the incentives  
6 authorized pursuant to the program.

7 "Incentive effective date" means the date a business submits the  
8 documentation required pursuant to paragraph (1) of subsection b.  
9 of section 6 of P.L.2011, c.149 (C.34:1B-247) in a form satisfactory  
10 to the authority.

11 "Independent institution of higher education" means a college or  
12 university incorporated and located in New Jersey, which by virtue  
13 of law or character or license is a nonprofit educational institution  
14 authorized to grant academic degrees and which provides a level of  
15 education which is equivalent to the education provided by the  
16 State's public institutions of higher education, as attested by the  
17 receipt of and continuation of regional accreditation by the Middle  
18 States Association of Colleges and Schools, and which is eligible to  
19 receive State aid under the provisions of the Constitution of the  
20 United States and the Constitution of the State of New Jersey, but  
21 does not include any educational institution dedicated primarily to  
22 the education or training of ministers, priests, rabbis or other  
23 professional persons in the field of religion.

24 "Major rail station" means a railroad station located within a  
25 qualified incentive area which provides access to the public to a  
26 minimum of six rail passenger service lines operated by the New  
27 Jersey Transit Corporation.

28 "Mega project" means:

29 a. a qualified business facility located in a port district housing  
30 a business in the logistics, manufacturing, energy, defense, or  
31 maritime industries, either:

32 (1) having a capital investment in excess of \$20,000,000, and at  
33 which more than 250 full-time employees of the business are  
34 created or retained; or

35 (2) at which more than 1,000 full-time employees of the  
36 business are created or retained;

37 b. a qualified business facility located in an aviation district  
38 housing a business in the aviation industry, in a Garden State  
39 Growth Zone, or in a priority area housing the United States  
40 headquarters and related facilities of an automobile manufacturer,  
41 either:

42 (1) having a capital investment in excess of \$20,000,000, and at  
43 which more than 250 full-time employees of the business are  
44 created or retained, or

45 (2) at which more than 1,000 full-time employees of the  
46 business are created or retained;

- 1 c. a qualified business facility located in an urban transit hub  
2 housing a business of any kind, having a capital investment in  
3 excess of \$50,000,000, and at which more than 250 full-time  
4 employees of the business are created or retained;
- 5 d. a project located in an area designated in need of  
6 redevelopment, pursuant to P.L.1992, c.79 (C.40A:12A-1 et al.)  
7 prior to the enactment of P.L.2014, c.63 (C.34:1B-251 et al.) within  
8 Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester,  
9 Ocean, or Salem counties having a capital investment in excess of  
10 \$20,000,000, and at which more than 150 full-time employees of  
11 the business are created or retained; or
- 12 e. a qualified business facility primarily used by a business  
13 principally engaged in research, development, or manufacture of a  
14 drug or device, as defined in R.S.24:1-1, or primarily used by a  
15 business licensed to conduct a clinical laboratory and business  
16 facility pursuant to the "New Jersey Clinical Laboratory  
17 Improvement Act," P.L.1975, c.166 (C.45:9-42.26 et seq.), either:
- 18 (1) having a capital investment in excess of \$20,000,000, and at  
19 which more than 250 full-time employees of the business are  
20 created or retained, or
- 21 (2) at which more than 1,000 full-time employees of the  
22 business are created or retained.
- 23 "Minimum environmental and sustainability standards" means  
24 standards established by the authority in accordance with the green  
25 building manual prepared by the Commissioner of Community  
26 Affairs pursuant to section 1 of P.L.2007, c.132 (C.52:27D-130.6),  
27 regarding the use of renewable energy, energy-efficient technology,  
28 and non-renewable resources in order to reduce environmental  
29 degradation and encourage long-term cost reduction.
- 30 "Moderate-income housing" means housing affordable,  
31 according to United States Department of Housing and Urban  
32 Development or other recognized standards for home ownership  
33 and rental costs, and occupied or reserved for occupancy by  
34 households with a gross household income equal to more than 50  
35 percent but less than 80 percent of the median gross household  
36 income for households of the same size within the housing region in  
37 which the housing is located.
- 38 "Municipal Revitalization Index" means the 2007 index by the  
39 Office for Planning Advocacy within the Department of State  
40 measuring or ranking municipal distress.
- 41 "New full-time job" means an eligible position created by the  
42 business at the qualified business facility that did not previously  
43 exist in this State. For the purposes of determining a number of  
44 new full-time jobs, the eligible positions of an affiliate shall be  
45 considered eligible positions of the business.

1 "Other eligible area" means the portions of the qualified  
2 incentive area that are not located within a distressed municipality,  
3 or the priority area.

4 "Partnership" means an entity classified as a partnership for  
5 federal income tax purposes.

6 "Port district" means the portions of a qualified incentive area  
7 that are located within:

8 a. the "Port of New York District" of the Port Authority of  
9 New York and New Jersey, as defined in Article II of the Compact  
10 Between the States of New York and New Jersey of 1921; or

11 b. a 15-mile radius of the outermost boundary of each marine  
12 terminal facility established, acquired, constructed, rehabilitated, or  
13 improved by the South Jersey Port District established pursuant to  
14 "The South Jersey Port Corporation Act," P.L.1968, c.60  
15 (C.12:11A-1 et seq.).

16 "Priority area" means the portions of the qualified incentive area  
17 that are not located within a distressed municipality and which:

18 a. are designated pursuant to the "State Planning Act,"  
19 P.L.1985, c.398 (C.52:18A-196 et seq.), as Planning Area 1  
20 (Metropolitan), Planning Area 2 (Suburban), a designated center  
21 under the State Development and Redevelopment Plan, or a  
22 designated growth center in an endorsed plan until June 30, 2013, or  
23 until the State Planning Commission revises and readopts New  
24 Jersey's State Strategic Plan and adopts regulations to revise this  
25 definition;

26 b. intersect with portions of: a deep poverty pocket, a port  
27 district, or federally-owned land approved for closure under a  
28 federal Commission on Base Realignment and Closure action;

29 c. are the proposed site of a disaster recovery project, a  
30 qualified incubator facility, a highlands development credit  
31 receiving area or redevelopment area, a tourism destination project,  
32 or transit oriented development; or

33 d. contain: a vacant commercial building having over 400,000  
34 square feet of office, laboratory, or industrial space available for  
35 occupancy for a period of over one year; or a site that has been  
36 negatively impacted by the approval of a "qualified business  
37 facility," as defined pursuant to section 2 of P.L.2007, c.346  
38 (C.34:1B-208).

39 "Professional employer organization" means an employee leasing  
40 company registered with the Department of Labor and Workforce  
41 Development pursuant to P.L.2001, c.260 (C.34:8-67 et seq.).

42 "Program" means the "Grow New Jersey Assistance Program"  
43 established pursuant to section 3 of P.L.2011, c.149 (C.34:1B-244).

44 "Public research university" means a public research university  
45 as defined in section 3 of P.L.1994, c.48 (C.18A:3B-3).

46 "Qualified business facility" means any building, complex of  
47 buildings or structural components of buildings, and all machinery

- 1 and equipment located within a qualified incentive area, used in  
2 connection with the operation of a business that is not engaged in  
3 final point of sale retail business at that location unless the building,  
4 complex of buildings or structural components of buildings, and all  
5 machinery and equipment located within a qualified incentive area,  
6 are used in connection with the operation of:
- 7 a. a final point of sale retail business located in a Garden State  
8 Growth Zone that will include a retail facility of at least 150,000  
9 square feet, of which at least 50 percent is occupied by either a full-  
10 service supermarket or grocery store; or
- 11 b. a tourism destination project located in the Atlantic City  
12 Tourism District as established pursuant to section 5 of P.L.2011,  
13 c.18 (C.5:12-219).
- 14 "Qualified incentive area" means:
- 15 a. an aviation district;
- 16 b. a port district;
- 17 c. a distressed municipality or urban transit hub municipality;
- 18 d. an area (1) designated pursuant to the "State Planning Act,"  
19 P.L.1985, c.398 (C.52:18A-196 et seq.), as:
- 20 (a) Planning Area 1 (Metropolitan);
- 21 (b) Planning Area 2 (Suburban); or
- 22 (c) Planning Area 3 (Fringe Planning Area);
- 23 (2) located within a smart growth area and planning area  
24 designated in a master plan adopted by the New Jersey  
25 Meadowlands Commission pursuant to subsection (i) of section 6 of  
26 P.L.1968, c.404 (C.13:17-6) or subject to a redevelopment plan  
27 adopted by the New Jersey Meadowlands Commission pursuant to  
28 section 20 of P.L.1968, c.404 (C.13:17-21);
- 29 (3) located within any land owned by the New Jersey Sports and  
30 Exposition Authority, established pursuant to P.L.1971, c.137  
31 (C.5:10-1 et seq.), within the boundaries of the Hackensack  
32 Meadowlands District as delineated in section 4 of P.L.1968, c.404  
33 (C.13:17-4);
- 34 (4) located within a regional growth area, rural development  
35 area zoned for industrial use as of the effective date of P.L.2016,  
36 c.75, town, village, or a military and federal installation area  
37 designated in the comprehensive management plan prepared and  
38 adopted by the Pinelands Commission pursuant to the "Pinelands  
39 Protection Act," P.L.1979, c.111 (C.13:18A-1 et seq.);
- 40 (5) located within the planning area of the Highlands Region as  
41 defined in section 3 of P.L.2004, c.120 (C.13:20-3) or a highlands  
42 development credit receiving area or redevelopment area;
- 43 (6) located within a Garden State Growth Zone;
- 44 (7) located within land approved for closure under any federal  
45 Commission on Base Realignment and Closure action; or
- 46 (8) located only within the following portions of the areas  
47 designated pursuant to the "State Planning Act," P.L.1985, c.398

1 (C.52:18A-196 et seq.), as Planning Area 4A (Rural Planning  
2 Area), Planning Area 4B (Rural/Environmentally Sensitive) or  
3 Planning Area 5 (Environmentally Sensitive) if Planning Area 4A  
4 (Rural Planning Area), Planning Area 4B (Rural/Environmentally  
5 Sensitive) or Planning Area 5 (Environmentally Sensitive) is  
6 located within:

7 (a) a designated center under the State Development and  
8 Redevelopment Plan;

9 (b) a designated growth center in an endorsed plan until the  
10 State Planning Commission revises and readopts New Jersey's State  
11 Strategic Plan and adopts regulations to revise this definition as it  
12 pertains to Statewide planning areas;

13 (c) any area determined to be in need of redevelopment pursuant  
14 to sections 5 and 6 of P.L.1992, c.79 (C.40A:12A-5 and  
15 C.40A:12A-6) or in need of rehabilitation pursuant to section 14 of  
16 P.L.1992, c.79 (C.40A:12A-14);

17 (d) any area on which a structure exists or previously existed  
18 including any desired expansion of the footprint of the existing or  
19 previously existing structure provided the expansion otherwise  
20 complies with all applicable federal, State, county, and local  
21 permits and approvals;

22 (e) the planning area of the Highlands Region as defined in  
23 section 3 of P.L.2004, c.120 (C.13:20-3) or a highlands  
24 development credit receiving area or redevelopment area; or

25 (f) any area on which an existing tourism destination project is  
26 located.

27 "Qualified incentive area" shall not include any property located  
28 within the preservation area of the Highlands Region as defined in  
29 section 3 of P.L.2004, c.120 (C.13:20-3).

30 "Qualified incubator facility" means a commercial building  
31 located within a qualified incentive area: which contains 50,000 or  
32 more square feet of office, laboratory, or industrial space; which is  
33 located near, and presents opportunities for collaboration with, a  
34 research institution, teaching hospital, college, or university; and  
35 within which, at least 50 percent of the gross leasable area is  
36 restricted for use by one or more technology startup companies  
37 during the commitment period.

38 "Retained full-time job" means an eligible position that currently  
39 exists in New Jersey and is filled by a full-time employee but  
40 which, because of a potential relocation by the business, is at risk of  
41 being lost to another state or country, or eliminated. For the  
42 purposes of determining a number of retained full-time jobs, the  
43 eligible positions of an affiliate shall be considered eligible  
44 positions of the business. For the purposes of the certifications and  
45 annual reports required in the incentive agreement pursuant to  
46 subsection e. of section 4 of P.L.2011, c.149 (C.34:1B-245), to the  
47 extent an eligible position that was the basis of the award no longer

1 exists, a business shall include as a retained full-time job a new  
2 eligible position that is filled by a full-time employee provided that  
3 the position is included in the order of date of hire and is not the  
4 basis for any other incentive award. For a project located in a  
5 Garden State Growth Zone which qualified for the "Municipal  
6 Rehabilitation and Economic Recovery Act," P.L.2002, c.43  
7 (C.52:27BBB-1 et al.), retained full-time job shall include any  
8 employee previously employed in New Jersey and transferred to the  
9 new location in the Garden State Growth Zone which qualified for  
10 the "Municipal Rehabilitation and Economic Recovery Act,"  
11 P.L.2002, c.43 (C.52:27BBB-1 et al.).

12 "SDA district" means an SDA district as defined in section 3 of  
13 P.L.2000, c.72 (C.18A:7G-3).

14 "SDA municipality" means a municipality in which an SDA  
15 district is situate.

16 "State college" means a State college or university established  
17 pursuant to chapter 64 of Title 18A of the New Jersey Statutes.

18 "Targeted industry" means any industry identified from time to  
19 time by the authority which shall initially include advanced  
20 transportation and logistics, advanced manufacturing, aviation,  
21 autonomous vehicle and zero-emission vehicle research or  
22 development, clean energy, life sciences, hemp processing,  
23 information and high technology, finance and insurance,  
24 professional services, film and digital media, non-retail food and  
25 beverage businesses including food innovation, and other  
26 innovative industries that disrupt current technologies or business  
27 models. "Targeted industry" shall include the virtual currency  
28 industry and shall include a virtual currency servicer.

29 "Technology startup company" means a for profit business that  
30 has been in operation fewer than five years and is developing or  
31 possesses a proprietary technology or business method of a high-  
32 technology or life science-related product, process, or service which  
33 the business intends to move to commercialization. "Technology  
34 startup company" shall include a company that is a virtual currency  
35 servicer, regardless of the number of years the business has been in  
36 operation.

37 "Tourism destination project" means a qualified non-gaming  
38 business facility that will be among the most visited privately  
39 owned or operated tourism or recreation sites in the State, and  
40 which is located within the qualified incentive area and has been  
41 determined by the authority to be in an area appropriate for  
42 development and in need of economic development incentive  
43 assistance, including a non-gaming business within an established  
44 Tourism District with a significant impact on the economic viability  
45 of that District.

46 "Transit oriented development" means a qualified business  
47 facility located within a 1/2-mile radius, or one-mile radius for

1 projects located in a Garden State Growth Zone, surrounding the  
2 mid-point of a New Jersey Transit Corporation, Port Authority  
3 Transit Corporation, or Port Authority Trans-Hudson Corporation  
4 rail, bus, or ferry station platform area, including all light rail  
5 stations.

6 "Urban transit hub" means an urban transit hub, as defined in  
7 section 2 of P.L.2007, c.346 (C.34:1B-208), that is located within  
8 an eligible municipality, as defined in section 2 of P.L.2007, c.346  
9 (C.34:1B-208) and also located within a qualified incentive area.

10 "Urban transit hub municipality" means a municipality: a. which  
11 qualifies for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et  
12 seq.), or which has continued to be a qualified municipality  
13 thereunder pursuant to P.L.2007, c.111; and b. in which 30 percent  
14 or more of the value of real property was exempt from local  
15 property taxation during tax year 2006. The percentage of exempt  
16 property shall be calculated by dividing the total exempt value by  
17 the sum of the net valuation which is taxable and that which is tax  
18 exempt.

19 (cf: P.L2021, c.160, s.61)

20

21 27. Section 5 of P.L.2011, c.149 (C.34:1B-246) is amended to  
22 read as follows:

23 5. a. The total amount of the tax credit for an eligible business  
24 for each new or retained full-time job shall be as set forth in  
25 subsections b. through f. of this section. The total tax credit amount  
26 shall be calculated and credited to the business annually for each  
27 year of the eligibility period. Notwithstanding any other provisions  
28 of P.L.2013, c.161 (C.52:27D-489p et al.), a business may assign its  
29 ability to apply for the tax credit under this subsection to a non-  
30 profit organization with a mission dedicated to attracting investment  
31 and completing development and redevelopment projects in a  
32 Garden State Growth Zone. The non-profit organization or  
33 organization operating a qualified incubator facility may make an  
34 application on behalf of a business which meets the requirements  
35 for the tax credit, or a group of non-qualifying businesses or  
36 positions, located at a qualified business facility, that shall be  
37 considered a unified project for the purposes of the incentives  
38 provided under this section. For any project located in a Garden  
39 State Growth Zone that qualifies under the "Municipal  
40 Rehabilitation and Economic Recovery Act," P.L.2002, c.43  
41 (C.52:27BBB-1 et al.), or any project located in a Garden State  
42 Growth Zone which contains a Tourism District as established  
43 pursuant to section 5 of P.L.2011, c.18 (C.5:12-219) and regulated  
44 by the Casino Reinvestment Development Authority, and which  
45 will include a retail facility of at least 150,000 square feet, of which  
46 at least 50 percent will be occupied by either a full-service  
47 supermarket or grocery store, a business may assign its ability to



1 apply for the tax credit under this subsection to the developer of the  
2 facility. The developer may make an application on behalf of the  
3 business which meets the requirements for the tax credit, or a group  
4 of non-qualifying businesses located at the business facility, that  
5 shall be considered a unified project for the purposes of the  
6 incentives provided under this section, and the developer may apply  
7 for tax credits available based on the number of jobs provided by  
8 the business or businesses and the total capital investment of the  
9 business or businesses and the developer.

10 b. The base amount of the tax credit for each new or retained  
11 full-time job shall be as follows:

12 (1) (a) for a qualified business facility located within an urban  
13 transit hub municipality, located within a Garden State Growth  
14 Zone, or which is a mega project, \$5,000 per year;

15 (b) for a qualified business facility located within a Garden  
16 State Create Zone and used by an eligible business in a targeted  
17 industry to conduct a collaborative research relationship with a  
18 doctoral university within the zone, \$5,000 per year;

19 (2) for a qualified business facility located within a distressed  
20 municipality but not qualifying under paragraph (1) of this  
21 subsection, \$4,000 per year;

22 (3) for a project in a priority area, \$3,000 per year; and

23 (4) for a project in other eligible areas, \$500 per year.

24 c. In addition to the base amount of the tax credit, the amount  
25 of the tax credit to be awarded for each new or retained full-time  
26 job shall be increased if the qualified business facility meets any of  
27 the following priority criteria or other additional or replacement  
28 criteria determined by the authority from time to time in response to  
29 evolving economic or market conditions:

30 (1) for a qualified business facility located in a deep poverty  
31 pocket or in an area that is the subject of a Choice Neighborhoods  
32 Transformation Plan funded by the federal Department of Housing  
33 and Urban Development, an increase of \$1,500 per year;

34 (2) for a qualified business facility located in a qualified  
35 incubator facility, an increase of \$500 per year;

36 (3) for a qualified business facility located in a mixed-use  
37 development that incorporates sufficient moderate income housing  
38 on site to accommodate a minimum of 20 percent of the full-time  
39 employees of the business, an increase of \$500 per year;

40 (4) for a qualified business facility located within a transit  
41 oriented development, an increase of \$2,000 per year;

42 (5) for a qualified business facility, other than a mega project, at  
43 which the capital investment in industrial premises for industrial  
44 use by the business is in excess of the minimum capital investment  
45 required for eligibility pursuant to subsection b. of section 3 of  
46 P.L.2011, c.149 (C.34:1B-244), an increase of \$1,000 per year for  
47 each additional amount of investment that exceeds the minimum

- 1 amount required for eligibility by 20 percent, with a maximum  
2 increase of \$3,000 per year;
- 3 (6) for a business with new full-time jobs and retained full-time  
4 jobs at the project with an average salary in excess of the existing  
5 average salary for the county in which the project is located, or, in  
6 the case of a project in a Garden State Growth Zone, a business that  
7 employs full-time positions at the project with an average salary in  
8 excess of the average salary for the Garden State Growth Zone, an  
9 increase of \$250 per year during the commitment period for each 35  
10 percent by which the project's average salary levels exceeds the  
11 county or Garden State Growth Zone average salary, with a  
12 maximum increase of \$1,500 per year;
- 13 (7) for a business with large numbers of new full-time jobs and  
14 retained full-time jobs during the commitment period, the increases  
15 shall be in accordance with the following schedule:
- 16 (a) if the number of new full-time jobs and retained full-time  
17 jobs is between 251 and 400, \$500 per year;
- 18 (b) if the number of new full-time jobs and retained full-time  
19 jobs is between 401 and 600, \$750 per year;
- 20 (c) if the number of new full-time jobs and retained full-time  
21 jobs is between 601 and 800, \$1000 per year;
- 22 (d) if the number of new full-time jobs and retained full-time  
23 jobs is between 801 and 1,000, \$1,250 per year;
- 24 (e) if the number of new full-time jobs and retained full-time  
25 jobs is in excess of 1,000, \$1,500 per year;
- 26 (8) for a business in a targeted industry, an increase of \$500 per  
27 year, except in the case of a business in a targeted industry that is a  
28 virtual currency servicer, an increase of \$5,000 per year;
- 29 (9) for a qualified business facility exceeding the Leadership in  
30 Energy and Environmental Design's "Silver" rating standards or  
31 completes substantial environmental remediation, an additional  
32 increase of \$250 per year;
- 33 (10) for a mega project or a project located within a Garden  
34 State Growth Zone at which the capital investment in industrial  
35 premises for industrial use by the business exceeds the minimum  
36 capital investment required for eligibility pursuant to subsection b.  
37 of section 3 of P.L.2011, c.149 (C.34:1B-244), an increase of  
38 \$1,000 per year for each additional amount of investment that  
39 exceeds the minimum amount by 20 percent, with a maximum  
40 increase of \$5,000 per year;
- 41 (11) for a project in which a business retains at least 400 jobs  
42 and is located within the municipality in which it was located  
43 immediately prior to the filing of the application hereunder and is  
44 the United States headquarters of an automobile manufacturer, an  
45 increase of \$1,500 per year;
- 46 (12) for a project located in a municipality in Atlantic,  
47 Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean,

- 1 and Salem counties with a 2007 Municipality Revitalization Index  
2 greater than 465, an increase of \$1,000 per year;
- 3 (13) for a project located within a half-mile of any light rail  
4 station constructed after the effective date of P.L.2013, c.161  
5 (C.52:27D-489p et al.), an increase of \$1,000 per year;
- 6 (14) for a marine terminal project in a municipality located  
7 outside the Garden State Growth Zone, but within the geographical  
8 boundaries of the South Jersey Port District, an increase of \$1,500  
9 per year;
- 10 (15) for a project located within an area determined to be in  
11 need of redevelopment pursuant to sections 5 and 6 of P.L.1992,  
12 c.79 (C.40A:12A-5 and C.40A:12A-6), and which is located within  
13 a quarter mile of at least one United States Highway and at least  
14 two New Jersey State Highways, an increase of \$1,500 per year;
- 15 (16) for a project that generates solar energy on site for use  
16 within the project of an amount that equals at least 50 percent of the  
17 project's electric supply service needs, an increase of \$250 per year;
- 18 (17) for a qualified business facility that includes a vacant  
19 commercial building having over 1,000,000 square feet of office or  
20 laboratory space available for occupancy for a period of over one  
21 year, an increase of \$1,000 per year; and
- 22 (18) for an eligible business in a targeted industry at a qualified  
23 business facility on the campus of a college or university other than  
24 a doctoral university, or at a qualified business facility within a  
25 three-mile radius of the outermost boundary of the campus of a  
26 college or university other than a doctoral university, which facility  
27 is used by the business to conduct a collaborative research  
28 relationship with the college or university, an increase of \$1,000 per  
29 year. The boundary of the campus of a college or university shall  
30 be based upon a map appearing in the college's or university's  
31 official catalog or other official publication on the effective date of  
32 P.L.2017, c.221.
- 33 d. The gross amount of the tax credit for an eligible business  
34 for each new or retained full-time job shall be the sum of the base  
35 amount as set forth pursuant to subsection b. of this section and the  
36 various additional bonus amounts for which the business is eligible  
37 pursuant to subsection c. of this section, subject to the following  
38 limitations:
- 39 (1) for a mega project or a project in a Garden State Growth  
40 Zone, the gross amount for each new or retained full-time job shall  
41 not exceed \$15,000 per year;
- 42 (2) for a qualified business facility located within an urban  
43 transit hub municipality or a Garden State Create Zone, the gross  
44 amount for each new or retained full-time job shall not exceed  
45 \$12,000 per year;

1 (3) for a qualified business facility in a distressed municipality  
2 the gross amount for each new or retained full-time job shall not  
3 exceed \$11,000 per year;

4 (4) for a qualified business facility in other priority areas, the  
5 gross amount for each new or retained full-time job shall not exceed  
6 \$10,500 per year;

7 (5) for a qualified business facility in other eligible areas, the  
8 gross amount for each new or retained full-time job shall not exceed  
9 \$6,000 per year; and

10 (6) for a disaster recovery project, the gross amount for each  
11 new or retained full-time job shall not exceed \$2,000 per year.

12 Notwithstanding anything to the contrary set forth herein and in  
13 the provisions of subsections a. through f. of this section, but  
14 subject to the provisions of paragraph (1) of subsection f. of this  
15 section, for a project located within a Garden State Growth Zone  
16 which qualifies for the "Municipal Rehabilitation and Economic  
17 Recovery Act," P.L.2002, c.43 (C.52:27BBB-1 et al.), which  
18 creates 35 or more full-time jobs new to the municipality, the total  
19 tax credit shall be:

20 (a) for a project which creates 35 or more full-time jobs new to  
21 the municipality and makes a capital investment of at least  
22 \$5,000,000, the total tax credit amount per full-time job shall be the  
23 greater of: (i) the total tax credit amount for a qualifying project in  
24 a Garden State Growth Zone as calculated pursuant to subsections  
25 a. through f. of this section; or (ii) the total capital investment of the  
26 project divided by the total number of full-time jobs at that project  
27 but not greater than \$2,000,000 per year over the grant term of ten  
28 years;

29 (b) for a project which creates 70 or more full-time jobs new to  
30 the municipality and makes a capital investment of at least  
31 \$10,000,000, the total tax credit amount per full-time job shall be  
32 the greater of: (i) the total tax credit amount for a qualifying project  
33 in a Garden State Growth Zone as calculated pursuant to  
34 subsections a. through f. of this section; or (ii) the total capital  
35 investment of the project divided by the total number of full-time  
36 jobs at that project but not greater than \$3,000,000 per year over the  
37 grant term of ten years;

38 (c) for a project which creates 100 or more full-time jobs new to  
39 the municipality and makes a capital investment of at least  
40 \$15,000,000, the total tax credit amount per full-time job shall be  
41 the greater of: (i) the total tax credit amount for a qualifying project  
42 in a Garden State Growth Zone as calculated pursuant to  
43 subsections a. through f. of this section; or (ii) the total capital  
44 investment of the project divided by the total number of full-time  
45 jobs at that project but not greater than \$4,000,000 per year over the  
46 grant term of ten years;

1 (d) for a project which creates 150 or more full-time jobs new to  
2 the municipality and makes a capital investment of at least  
3 \$20,000,000, the total tax credit amount per full-time job shall be  
4 the greater of: (i) the total tax credit amount for a qualifying project  
5 in a Garden State Growth Zone as calculated pursuant to  
6 subsections a. through f. of this section; or (ii) the total capital  
7 investment of the project divided by the total number of full-time  
8 jobs at that project but not greater than \$5,000,000 per year over the  
9 grant term of ten years; or

10 (e) for a project which creates 250 or more full-time jobs new to  
11 the municipality and makes a capital investment of at least  
12 \$30,000,000, the total tax credit amount per full-time job shall be  
13 the greater of: (i) the total tax credit amount for a qualifying project  
14 in a Garden State Growth Zone as calculated pursuant to  
15 subsections a. through f. of this section; or (ii) the total capital  
16 investment of the project divided by the total number of full-time  
17 jobs as defined herein at that project divided by the ten-year grant  
18 term.

19 e. After the determination by the authority of the gross amount  
20 of tax credits for which a business is eligible pursuant to subsection  
21 d. of this section, the final total tax credit amount shall be  
22 calculated as follows: (1) for each new full-time job, the business  
23 shall be allowed tax credits equaling 100 percent of the gross  
24 amount of tax credits for each new full-time job; and (2) for each  
25 retained full-time job, the business shall be allowed tax credits  
26 equaling the lesser of 50 percent of the gross amount of tax credits  
27 for each retained full-time job, or one-tenth of the capital  
28 investment divided by the number of retained and new full-time  
29 jobs per year over the grant term of ten years, unless the jobs are  
30 part of a mega project which is the United States headquarters of an  
31 automobile manufacturer located within a priority area or in a  
32 Garden State Growth Zone, in which case the business shall be  
33 entitled to tax credits equaling 100 percent of the gross amount of  
34 tax credits for each retained full-time job, or unless the new  
35 qualified business facility would replace a facility that has been  
36 wholly or substantially damaged as a result of a federally-declared  
37 disaster, in which case the business shall be entitled to tax credits  
38 equaling 100 percent of the gross amount of tax credits for each  
39 retained full-time job.

40 f. Notwithstanding the provisions of subsections a. through e.  
41 of this section, for each application approved by the authority's  
42 board, the amount of tax credits available to be applied by the  
43 business annually shall not exceed:

44 (1) \$35,000,000 and provides a net benefit to the State as  
45 provided herein with respect to a qualified business facility in a  
46 Garden State Growth Zone which qualifies under the "Municipal  
47 Rehabilitation and Economic Recovery Act," P.L.2002, c.43

1 (C.52:27BBB-1 et al.), or which contains a Tourism District as  
2 established pursuant to section 5 of P.L.2011, c.18 (C.5:12-219) and  
3 regulated by the Casino Reinvestment Development Authority;

4 (2) \$30,000,000 and provides a net benefit to the State as  
5 provided herein with respect to a mega project or a qualified  
6 business facility in a Garden State Growth Zone;

7 (3) \$10,000,000 and provides a net benefit to the State as  
8 provided herein with respect to a qualified business facility in an  
9 urban transit hub municipality or a Garden State Create Zone;

10 (4) \$8,000,000 and provides a net benefit to the State as  
11 provided herein with respect to a qualified business facility in a  
12 distressed municipality;

13 (5) \$4,000,000 and provides a net benefit to the State as  
14 provided herein with respect to a qualified business facility in other  
15 priority areas, but not more than 90 percent of the withholdings of  
16 the business from the qualified business facility; and

17 (6) \$2,500,000 and provides a net benefit to the State as  
18 provided herein with respect to a qualified business facility in other  
19 eligible areas, but not more than 90 percent of the withholdings of  
20 the business from the qualified business facility.

21 Under paragraphs (1) through (6) of this subsection, with the  
22 exception of a project located within a Garden State Growth Zone  
23 which qualifies for the "Municipal Rehabilitation and Economic  
24 Recovery Act," P.L.2002, c.43 (C.52:27BBB-1 et al.), or which  
25 contains a Tourism District as established pursuant to section 5 of  
26 P.L.2011, c.18 (C.5:12-219) and regulated by the Casino  
27 Reinvestment Development Authority, that divides the total capital  
28 investment of the project by the total number of full-time jobs at  
29 that project, for each application for tax credits in excess of  
30 \$4,000,000 annually, the amount of tax credits available to be  
31 applied by the business annually shall be the lesser of the maximum  
32 amount under the applicable subsection or an amount determined by  
33 the authority necessary to complete the project, with such  
34 determination made by the authority's utilization of a full economic  
35 analysis of all locations under consideration by the business; all  
36 lease agreements, ownership documents, or substantially similar  
37 documentation for the business's current in-State locations, as  
38 applicable; and all lease agreements, ownership documents, or  
39 substantially similar documentation for the potential out-of-State  
40 location alternatives, to the extent they exist. Based on this  
41 information, and any other information deemed relevant by the  
42 authority, the authority shall independently verify and confirm the  
43 amount necessary to complete the project.

44 (cf: P.L.2017, c.221, s.2)

45  
46 28. Section 1 of P.L.1996, c.2 (C.54:48-4.2) is amended to read  
47 as follows:

1 1. As used in **【this act】** P.L.1996, c.2 (C.54:48-4.2 et al.):

2 "Cardholder" means the person or organization named on the  
3 face of a credit card or debit card to whom or for whose benefit the  
4 credit card or debit card is issued by an issuer.

5 "Card payment system" means a technical procedure by which  
6 tax obligations owed the State may be paid by credit card or debit  
7 card.

8 "Credit card" means any instrument or device linked to an  
9 established line of credit, whether known as a credit card, charge  
10 card, credit plate, or by any other name, issued with or without fee  
11 by an issuer for the use of the cardholder in satisfying outstanding  
12 financial obligations, obtaining money, goods, services or anything  
13 else of value on credit.

14 "Debit card" means any instrument or device, whether known as  
15 a debit card, automated teller machine card, or by any other name,  
16 issued with or without fee by an issuer for the use of the cardholder  
17 in obtaining money, goods, services or anything else of value  
18 through the electronic authorization of a financial institution to  
19 debit the cardholder's account.

20 "Electronic funds transfer" means any transfer of funds or virtual  
21 currency, other than a transaction originated by check, draft, or  
22 similar paper instrument, that is initiated through an electronic  
23 terminal, telephone, or computer or magnetic tape for the purpose  
24 of ordering, instructing or authorizing a financial institution to debit  
25 or credit an account.

26 "Electronic funds transfer system" means a technical procedure  
27 by which tax obligations owed the State may be paid by an  
28 electronic transaction between the financial institution of the person  
29 or organization owing the obligation and the financial institution of  
30 the State.

31 "Issuer" means the business organization or financial institution  
32 that issues a credit card or debit card, or its duly authorized agent.

33 "Service charge" means a mandatory fee to be charged by the  
34 Division of Taxation in excess of the total obligation under **【this**  
35 **act】** P.L.1996, c.2 (C.54:48-4.2 et al.) owed by a person or  
36 organization to offset processing charges or discount fees for the  
37 use of a card payment system or an electronic funds transfer system.

38 "Virtual currency" means a digital asset that is:

39 (1) used as a medium of exchange, unit of account or store of  
40 value; and

41 (2) not recognized as legal tender by the United States  
42 government.

43 (cf: P.L.1996, c.2, s.1)

44  
45 29. The Commissioner of Banking and Insurance shall adopt,  
46 pursuant to the "Administrative Procedure Act," P.L.1968,

1 c.410 (C.52:14B-1 et seq.), rules and regulations the commissioner  
2 deems to be necessary, to effectuate the purposes of this act.

3

4 30. This act shall take effect on the first day of the fourth month  
5 after enactment, except the Commissioner of Banking and Insurance  
6 may take such anticipatory action as may be necessary for the  
7 implementation of this act.

8

9

10 STATEMENT

11

12 This bill, the “Virtual Currency and Blockchain Regulation Act,”  
13 establishes a regulatory framework for virtual currency businesses  
14 to operate in New Jersey, creates provisions governing the use of  
15 blockchain with certain business entities, and creates certain  
16 incentives for virtual currency businesses to locate in the State.

17

18 **Provisions on open blockchain tokens**

19 This bill provides that certain open blockchain tokens are  
20 intangible personal property rather than securities. An open  
21 blockchain token is to be considered intangible personal property  
22 under the bill if it meets the following characteristics:

23 (1) the predominant purpose of the token is consumptive;

24 (2) the developer or seller did not market the token to the initial  
25 buyer as a financial investment; and

26 (3) at least one of the following subparagraphs is satisfied:

27 (a) the developer or seller reasonably believed that it sold the  
28 token to the initial buyer for a consumptive purpose;

29 (b) the token has a consumptive purpose that is available at or  
30 near the time of sale and can be used at or near the time of sale for a  
31 consumptive purpose;

32 (c) the initial buyer of the token is prohibited by the developer  
33 or seller of the token from reselling the token until the token is  
34 available to be used for a consumptive purpose; or

35 (d) the developer or seller takes other reasonable precautions to  
36 prevent an initial buyer from purchasing the token as a financial  
37 investment.

38 The bill requires that, before making an open blockchain token  
39 available for sale, the developer or seller of a token, or the  
40 registered agent of the developer or seller, is to electronically file a  
41 notice of intent with the Department of Banking and Insurance and  
42 pay a filing fee of \$1,000. The notice of intent is to contain the  
43 name of the person acting as a developer or seller, the contact  
44 information of the person, or the registered agent of the person and  
45 comprehensive details, to be determined by the Commissioner of  
46 Banking and Insurance, on the open blockchain token made  
47 available for sale. A form is to be made available by the



1 department for this purpose, and is to include a secure electronic  
2 form conspicuously posted on the department's Internet website. A  
3 developer, seller and the registered agent of these persons, if  
4 applicable, is to have a continuing duty to update the contact  
5 information provided on a notice of intent as long as the open  
6 blockchain token associated with the notice is actively being sold.

7 The bill makes a willful failure by a developer, seller or  
8 facilitator to comply with the duties imposed by the bill an unlawful  
9 practice under the Consumer Fraud Act. An unlawful practice  
10 under the Consumer Fraud Act is punishable by a monetary penalty  
11 of not more than \$10,000 for a first offense and not more than  
12 \$20,000 for any subsequent offense. In addition, violations can  
13 result in cease and desist orders issued by the Attorney General, the  
14 assessment of punitive damages and the awarding of treble damages  
15 and costs to the injured party.

16

#### 17 **Provisions on digital assets as property**

18 This bill establishes digital assets as property and allows banks  
19 to provide custodial services for digital assets.

20 A digital asset is a representation of an economic, proprietary, or  
21 access right that is stored in a computer readable format, and  
22 includes digital consumer assets, digital securities, and virtual  
23 currency. Under the bill, all digital assets will be classified as  
24 property, with digital consumer assets classified as a general  
25 intangible property, digital securities classified as a security, and  
26 virtual currency classified as money. A digital asset will also be  
27 treated as a financial asset under the bill, if a written agreement is  
28 entered with the owner of the digital asset classifying the asset as  
29 such. If the digital asset is treated as a financial asset, then the  
30 digital asset will remain as intangible personal property.

31 Under the bill, a secured party or an agent, custodian, fiduciary  
32 or trustee of the party with a security interest in a digital asset will  
33 be able to perfect their security interest through control. A secured  
34 party holding a security interest in a digital asset through control  
35 will have priority over a secured party that has a security interest in  
36 the asset but does not have control. Perfection by control will create  
37 a possessory security interest in a digital asset and will not require  
38 physical possession.

39 Additionally, the bill will allow a bank to provide custodial  
40 services of digital assets upon providing 60 days written notice to  
41 the Commissioner of the Department of Banking and Insurance. A  
42 bank that elects serve as a qualified custodian must follow federal  
43 Securities and Exchange Commission rules regarding custodial  
44 services and must ensure the following:

45 (1) the implementation of all accounting, account statement,  
46 internal control, notice and other standards specified by applicable  
47 State or federal laws and regulations for custodial services;

1 (2) maintenance of information technology best practices  
2 relating to digital assets held in custody;

3 (3) full compliance with applicable federal anti-money  
4 laundering, customer identification and beneficial ownership  
5 requirements; and

6 (4) other actions necessary to carry out the aforementioned  
7 requirements, which may include exercising fiduciary powers  
8 similar to those permitted to national banks and ensuring  
9 compliance with federal law governing digital assets classified as  
10 commodities.

11 Apart from the requirements above, a bank providing custodial  
12 services will also be required to enter into an agreement with an  
13 independent public accountant to conduct an examination that  
14 conforms to federal regulations concerning custodial services, at the  
15 cost of the bank, pursuant to certain rules and requirements.

16 The bill also provides that digital assets held in custody are not  
17 depository liabilities or assets of the bank. A bank, or its  
18 subsidiary, that holds digital assets in custody will be able to  
19 register as an investment adviser, investment company or broker  
20 dealer as necessary. Banks holding digital assets in custody must  
21 maintain control over a digital asset, with the customer electing,  
22 pursuant to a written agreement with the bank, one of the following  
23 relationships for each digital asset held in custody:

24 (1) custody under a bailment as a nonfungible or fungible asset.  
25 Assets held under this bill will be strictly segregated from other  
26 assets; or

27 (2) custody under a bailment that allows the bank, based on the  
28 customer's instructions, to undertake transactions with the digital  
29 asset.

30 A bank that holds a digital asset in custody under a bailment that  
31 allows the bank to undertake transactions with the digital asset will  
32 not be liable for any loss suffered with respect to any transactions  
33 made, except for liability consistent with fiduciary and trust powers  
34 as a custodian.

35 The bill provides that a bank and a customer must agree in  
36 writing with regard to the source code that the bank will use for  
37 each digital asset, and the treatment of each asset. Any ambiguity  
38 within the agreement will be resolved in favor of the customer. A  
39 bank will be required to provide clear, written notice to each  
40 customer, and require written acknowledgement, of the following:

41 (1) prior to the implementation of any updates, material source  
42 code updates relating to digital assets held in custody, except in  
43 emergencies which may include security vulnerabilities;

44 (2) the heightened risk of loss from transactions with the digital  
45 asset, if the bank is given the instruction from the customer to  
46 undertake transactions with the digital asset;

1 (3) that some risk of loss as a pro rata creditor exists as the  
2 result of custody as a fungible asset;

3 (4) that custody may not result in the digital assets of the  
4 customer being strictly segregated from other customer assets if the  
5 bank is allowed to undertake transactions with the asset; and

6 (5) that the bank is not liable for any losses suffered if the bank  
7 does transact with the asset, with exception for liability consistent  
8 with fiduciary and trust powers as a custodian.

9 A bank and a customer must agree in writing to a time period  
10 within which the bank must return a digital asset held in custody. If  
11 a customer elects to allow the bank to make transactions with the  
12 asset, then the bank and the customer may also agree in writing to  
13 the form in which the digital asset will be returned.

14 The bill provides that all ancillary or subsidiary proceeds relating  
15 to digital assets held in custody will accrue to the benefit of the  
16 customer, except as specified by a written agreement with the  
17 customer. The bank may elect not to collect certain ancillary or  
18 subsidiary proceeds, as long as the election is disclosed in writing.  
19 A customer who elects to custody under a bailment that treats a  
20 digital asset as either fungible or nonfungible may withdraw the  
21 digital asset in a form that permits the collection of ancillary or  
22 subsidiary proceeds.

23 Finally, the bill provides that a bank will be prohibited from  
24 authorizing rehypothecation of digital assets. The bank will not  
25 engage in any activity to use or exercise discretionary authority  
26 relating to a digital asset unless it has the customer's instructions to  
27 do so. A bank will also be prohibited from taking any action which  
28 would likely impair the solvency or the safety and soundness of the  
29 bank, as determined by the commissioner after considering the  
30 nature of custodial services customary in the banking industry.

31

### 32 **Provisions on decentralized autonomous organizations**

33 This bill allows the formation of decentralized autonomous  
34 organizations (DAO) under the State's limited liability company  
35 law.

36 A DAO is an organization controlled by its members with no  
37 central authority. Instead, the organization is governed by a set of  
38 smart contracts built on distributed ledger technology or  
39 blockchain. The smart contracts automate many of the decision-  
40 making processes typically reserved for upper-tier management in a  
41 traditional company.

42 The bill permits DAOs to incorporate as limited liability  
43 companies, and affords DAOs similar protections as are afforded to  
44 limited liability companies under current law.

45 The bill provides a DAO is a limited liability company whose  
46 articles of organization contain a statement that the company is a  
47 decentralized autonomous organization. The bill requires DAOs to

1 maintain a presence in the State through a registered agent and to  
2 include in its name a designation such as “DAO”, “DAO LLC” or  
3 “LAO”. The bill permits limited liability companies in the State  
4 currently to convert to DAOs by amending their articles of  
5 organization.

6 Under the bill, a DAO may be member managed or  
7 algorithmically managed, as set forth in its articles of organization.  
8 If algorithmically managed, the underlying smart contract must be  
9 able to be updated, modified or otherwise upgraded.

10 The bill provides that the articles of organization or the smart  
11 contracts of the DAO will govern aspects of the organization such  
12 as relations among the members, rights and duties of each member,  
13 voting rights, transferability, distributions and amendments. In  
14 addition, unless provided for in the articles of organization or  
15 operating agreement, no member has any fiduciary duty to the DAO  
16 or any member other than the implied contractual covenant of good  
17 faith and fair dealing.

18

#### 19 **Provisions on blockchain filing system**

20 This bill gives the Division of Revenue and Enterprise Services  
21 in the New Jersey Department of the Treasury the authority to  
22 develop filing system using blockchain through which all required  
23 filings may be submitted. The division is to try to use blockchain  
24 technology and include an application programming interface as  
25 components of the filing system, as well as robust security measures  
26 and other components determined by the division to be best  
27 practices or which are likely to increase the effective and efficient  
28 administration of the laws of this State. The division may create a  
29 blockchain or contract for the use of a privately created blockchain.

30 The division may consult with all interested parties, including  
31 businesses, registered agents, attorneys, law enforcement and other  
32 interested persons, before developing the filing system and if  
33 possible, partner with technology innovators and private companies  
34 to develop necessary components of the system. The division may  
35 also promulgate rules and regulations to effectuate the provisions of  
36 the bill.

37

#### 38 **Exemption for virtual currency from money transmitter law**

39 This bill also exempts virtual currency from current law  
40 governing money transmitters. “Virtual currency” is added to the  
41 law to mean any type of digital representation that: (1) is used as a  
42 medium of exchange, unit of account or store of value; and (2) is  
43 not recognized as legal tender by the United States government.

1 **Authorization for business entity to issue stock as certificate**  
2 **token**

3 This bill authorizes a business entity, such as a corporation or  
4 limited liability company, to issue stock certificates in the form of  
5 electronic certificate tokens.

6 "Certificate token" is defined as an electronic representation of a  
7 share of stock which contains certain information required under  
8 existing law for stock certificates and which is entered into a  
9 blockchain or other secure, auditable database.

10

11 **Business incentives for virtual currency businesses**

12 The bill also provides certain incentives for virtual currency  
13 businesses to locate in New Jersey. The bill exempts receipts from  
14 retail sales of energy and utility service to a virtual currency  
15 servicer or registrant for use or consumption directly and primarily  
16 in the creation of virtual currency, including mining, from the tax  
17 imposed under New Jersey's "Sales and Use Tax Act." The bill  
18 provides that a virtual currency servicer or registrant may file an  
19 application for a sales and use tax exemption with the Director of  
20 the Division of Taxation in the Department of the Treasury.

21 The "Grow New Jersey Assistance Act," N.J.S.A.34:1B-242,  
22 provides certain business and insurance premiums tax credits for  
23 job creation and retention in New Jersey. For the purposes of the  
24 "Grow New Jersey Assistance Act," the bill designates virtual  
25 currency servicers and registrants registered pursuant to this bill's  
26 provisions to be in a "targeted industry" and a "technology startup  
27 company." Therefore, in order for a virtual currency servicer to be  
28 eligible for that program, the minimum number of new or retained  
29 full-time jobs would be a minimum of 10 new or 25 retained full-  
30 time jobs, which is less than is required for certain other types of  
31 business. Virtual currency servicers and registrants would also be  
32 eligible for, in addition to the base amount of the tax credit, an  
33 additional \$5,000 for each new or retained full-time job each year.

34

35 **Allowance for virtual currency in payment of State taxes**

36 Current law, N.J.S.A.54:48-4.3, allows the Director of the  
37 Division of Taxation to establish an electronic funds transfer system  
38 for payments of State taxes. The bill amends the definition of  
39 "electronic funds transfer" to include any transfer of virtual  
40 currency. This change would allow the director to accept virtual  
41 currency in the payment of State taxes.