



HR 5777, a new bill submitted to Congress by US Representative Steve Stockman (R-TX), calls for a 5-year moratorium on digital currency regulation within the United States.

The bill, titled the Cryptocurrency Protocol Protection and Moratorium Act, would hold off any “statutory restrictions or regulations” for the 5-year period after 15th June 2015. The bill was submitted on 1st December and has since been referred to both the House Committee on Ways and Means and the House Committee on Financial Services.

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The draft law also calls for virtual currencies to be classified as traditional currencies under US tax regulations. Currently, the IRS taxes bitcoin holdings as though they were a type of property. Stockman filed a bill earlier this year looking to classify digital currencies as a type of foreign currency.

The timing is notable given the pending finalization of the New York Department of Financial Services (NYDFS)'s BitLicense framework, the comments of which were made public on the regulatory group's website yesterday.

In past statements, Stockman said he believes that "New York is putting the cart before the horse" in shaping its regulatory framework.

The section outlining the regulatory moratorium reads:

"Neither the Federal Government nor any State or political subdivision thereof shall impose any statutory restrictions or regulations specifically identifying and governing the creation, use, exploitation, possession or transfer of any algorithmic protocols governing the operation of any virtual, non-physical, algorithm or computer source code-based medium for exchange."

The clause also calls for "further suspending the enactment and effectiveness of any and all pending statutes and regulations until the end of the aforementioned moratorium period, except as otherwise provided in this section."

Pointing to bitcoin benefits

According to HR 5777, the moratorium is needed in order to fully assess and examine the potential economic benefits of digital currencies.

The draft text suggests that bitcoin may offer the American public economic and technological advantages, and "may be crucial to overall economic growth".

Stockman's move to preempt regulatory frameworks both currently in development and in the future reflects prior statements by the Texas Republican, who suggested in previous conversation with CoinDesk that the rules being written for bitcoin today would drive away the individuals and companies needed to ensure its success.

As Stockman commented in July:

"Many [doctors] are dropping out of the profession because it's overregulated. Now, what may happen to the bitcoin community is that, if there's so much regulation, there'll be a lot of people who say, 'You know what, I'm done with this. I'm not gonna do it.' And it's going to crush the industry."

Push for shift in tax treatment

The moratorium bill contains legislative language that calls for the IRS to treat bitcoin and distributed ledger systems as currencies rather than assets. The bill criticizes the current property-focused tax perspective, arguing that it fails to address the multifaceted characteristics of cryptocurrency.

“Tax treatment of cryptocurrency as property does not account for the substantial liquidity and highly limited acceptance and use of cryptocurrency, and substantially and unfairly discourages taxpayers engaging in a trade or business from using cryptocurrency in commerce,” the text reads.

Stockman’s bill, if passed, would require the IRS to revisit and rework its current regulatory framework regarding digital currencies.

Notably, the draft law calls for bitcoin mining income to be taxed as income only at the point of conversation rather than at the point at which bitcoins are created through processing blocks and verifying transactions.

The bill states that, owing to the operational challenge of mining, which includes “the risk that substantial effort may yield no production”, miners should only have to pay taxes on bitcoin revenue “when actual income is realized by a transfer and and conversion of proceeds into dollars”.

CoinDesk has reached out to him and is awaiting comment on the draft bill.

The entire text of the draft bill can be found below:

HR 5777 – The Cryptocurrency Protocol Protection and Moratorium Act

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<http://bitcoinschannel.com/us-rep-steve-stockman-introduces-bill-to-protect-cryptocurrencies/>