

**139.516 Exemption for sale or purchase of electricity used in commercial mining of cryptocurrency. (Effective July 1, 2021)**

- (1) As used in this section:
  - (a) "Blockchain technology" means shared or distributed data structures or digital ledgers governed by consensus protocols and maintained by peer-to-peer networks that:
    1. Store digital transactions; and
    2. Verify and secure transactions cryptographically;
  - (b) "Colocation facility" means a facility which houses tangible personal property that functions as a computing system node or nodes, or hosts such node or nodes, in the commercial mining of cryptocurrency and which the computing system node or nodes of the facility consume no less than two hundred thousand (200,000) kilowatt hours of electricity per month;
  - (c) "Commercial mining of cryptocurrency" means the process through which blockchain technology is used to mine cryptocurrency at a colocation facility;
  - (d) "Consensus protocol" means a set of rules and procedures that control how and when blockchain transactions are verified, validated, recorded, and recognized;
  - (e) "Cryptocurrency" means a type of virtual currency that utilizes blockchain technology and that:
    1. Can be digitally traded between users; or
    2. Can be converted or exchanged for legal tender;
  - (f) "Mine" means the process through which blockchain transactions are verified and accepted by adding the transactions to a blockchain ledger, which involves solving complex mathematical cryptographic problems associated with a block containing transaction data; and
  - (g) "Peer-to-peer networks" has the same meaning as in KRS 42.747.
- (2)
  - (a) The tax imposed by KRS 139.200 or 139.310 shall not apply to the sale or purchase of electricity that is used or consumed in the commercial mining of cryptocurrency.
  - (b) Applications for the exemption shall be made on or after July 1, 2021, and on or before June 30, 2025.
  - (c) The exemption shall apply to electricity sold or purchased on or after the effective date of application and before July 1, 2030.
- (3)
  - (a) To qualify for the exemption provided in subsection (2) of this section, each person seeking the exemption shall file an application for each location when the commercial mining of cryptocurrency takes place in this state.
  - (b) The application shall be in the form prescribed by the department and shall include:
    1. The name and mailing address of the person seeking the exemption;

2. A description of the person's business activities;
  3. The business location where the operations will be located, including the street address, city, and county; and
  4. Any other information the department may require.
- (4) If the application is approved by the department:
- (a) The department shall issue a certificate which shall be effective as of the date of the application. The effective date of the application shall be:
    1. The postmark date, if a paper application is filed;
    2. The date received at the department's office, if an application is delivered in person; or
    3. The electronic time stamp, if the application is filed electronically; and
  - (b) The approved applicant shall report the amounts of the tax exemption claimed in subsection (2) of this section from the date of application to September 1, 2021, on or before November 1, 2021, and for each fiscal year thereafter on or before each November 1, as long as the exemption applies.
- (5) On or before January 1, 2022, and on or before each January 1 thereafter as long as the exemption applies, the department shall report to the Interim Joint Committee on Appropriations and Revenue:
- (a) The total amount of tax exemption that has been claimed for the immediately preceding fiscal year; and
  - (b) The total cumulative amount of the exemption claimed.

**Effective:** July 1, 2021

**History:** Created 2021 Ky. Acts ch. 122, sec. 1, effective July 1, 2021.