Bond Case Briefs

Municipal Finance Law Since 1971

As States and Localities Embrace Cryptocurrency, Problems Grow.

While a handful of cities dove in last year, 14 states enacted laws regulating digital currency and many others introduced bills to facilitate transactions while preventing scams.

It's only been a few months since the cryptocurrency MiamiCoin was introduced by Miami, but the venture already has yielded more than $21 million for the city, Mayor Francis Suarez has said. The mayor pledged to share the windfall with residents by distributing dividends in the form of cryptocurrency.

Miami residents eventually could use cryptocurrency instead of cash to pay their taxes and city fees, Suarez contends. The mayors of New York City and Austin, Texas, have said they, too, are working toward accepting and making payments using cyber cash. And other localities are investigating how then can best utilize cryptocurrency.

Meanwhile, multiple states updated their banking statutes to make room for cryptocurrency transactions. Last year, 20-plus state legislatures considered digital asset legislation, and more than a dozen signed bills into law.

But while some public sector leaders want to help facilitate crypto industries in their areas, noting the uptick in businesses and transactions, governments and consumers have fallen prey to scammers.

"States are looking at ways to allow these businesses, this industry, to develop, but they're also aware that they might need to step in as regulators if problems develop," Heather Morton, a legislative analyst for the National Conference of State Legislatures, said.

'A Lot of Promise'

In news interviews, Suarez has said he intends to make Miami the world's "cryptocurrency innovation hub" and has partnered with the company CityCoins to create a local cryptocurrency called MiamiCoin.

He predicted that the success of MiamiCoin eventually could eliminate the need for the city to collect taxes.

Miami's early success in the digital economy prompted New York City and Austin to approve their own coins. Campbell Harvey, a professor of finance at Duke University, predicted others will follow.

"Just think of its branded value," said Harvey, the author of *DeFi and the Future of Finance*, a book about decentralized finance. "These cities are operating and preparing themselves for the future. That's a powerful brand compared to these cities that are stuck in the past."

Harvey said cities that embrace Bitcoin and other cryptocurrencies are positioning themselves to attract businesses involved with that emerging economy, which, in turn, will create jobs for city residents.

Several technology and financial companies have relocated to Miami over the past year, for example. And the crypto wallet firm Blockchain.com announced it would move its headquarters from New York City to Miami because of the Florida city's "welcoming regulatory environment serving as a hotbed of crypto innovation."

The appeals to businesses of locating in a cryptocurrency-friendly city or state, Harvey said, are efficiency and cost savings. For example, payments via cryptocurrency are quicker and cheaper than through traditional credit cards or wire transfers, Harvey said.

"There's a lot of promise here," he said, but added, "It's really very early on."

In fact, city governments and state legislatures have some catching up to do before cryptocurrency can replace traditional means of payment.

In New York City, for example, new Mayor Eric Adams, during his campaign, pledged to accept his first three paychecks in cyber cash. But the city is not equipped to pay employees in that manner. He later explained he would have to convert his traditional paycheck into Bitcoin, but told Bloomberg he aims to eventually give city employees the choice between dollars and cryptocurrency.

Likewise, in Ohio, a 2018 experiment allowing businesses to pay state taxes in cryptocurrency failed when the attorney general determined that existing laws covering electronic payments did not permit it.

As Industry Grows, Problems Grow

Wyoming, which is marketing itself as a crypto-friendly place to do business, has enacted two dozen laws that make it easier for digital currency companies to operate in the state, including an alternative bank charter that allows crypto banks to locate there. By mid-2021, 48 businesses with "bitcoin" in their names had hung their shingles in the state.

"They are seeing some economic development benefits from encouraging these companies to do business in their state and to be basing themselves in Wyoming," Morton said.

Legislatures in 21 states, including Wyoming, considered legislation involving digital assets in 2021; in 14 of them, those bills became law last year.

Some of the states updated laws on the books to add virtual currencies to the list of items the state may return or dispose of under their unclaimed property laws. Several others defined cryptocurrency as a cash equivalent in laws related to sports wagers and criminal actions. And Arizona's lawmakers established a study committee on cryptocurrency.

Morton noted that cryptocurrency did not exist when states adopted their original financial laws regulating money transmissions, like wire transfers and money orders. "They're setting up requirements so cryptocurrency companies have to abide by the rules and regulations of money services and money transmission," she said.

Still, added Morton, a senior fellow in NCSL's fiscal affairs program, "States are very interested in allowing cryptocurrency to continue develop. … "States are looking at ways to allow these businesses, this industry, to develop, but they're also aware that they might need to step in as

regulators if problems develop.”

Problems have occurred in Massachusetts, Texas and New York, where the attorneys general have levied fines and imposed cease-and-desist orders on scammers posing as crypto companies or even as Tesla boss Elon Musk, promising large returns to investors who send them Bitcoin, according to an investigation by Stateline.

Morton acknowledged that as the industry grows, problems will arise. But she predicted that states’ use of cryptocurrency will continue to expand, especially if the Federal Reserve Board eventually adopts a digital dollar, which it is reviewing.

“Those are the areas we’re watching to see what happens,” she said. “This is where technology meets money.”

Route Fifty

By Sharon O’Malley

JAN 7, 2022

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com