



THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 192 Cryptocurrency - Campaign Finance Prohibitions - Disclosures by Financial Institutions

Use of cryptocurrency is growing rapidly, yet our state laws aren't keeping up. This bill would ban untraceable crypto contributions and expenditures from political campaigns and would also allow the Comptroller's Office to go after crypto assets for payment of back taxes.

As of 2021, 16% of Americans have invested in, traded, or used a cryptocurrency.¹ Cryptocurrency (crypto) is decentralized digital money that is supported by blockchain technology. There is no central authority that manages or maintains the value of cryptocurrency. Crypto can be used to buy goods and services, although most people invest in cryptocurrencies as they would stocks.

Given the growth in cryptocurrency markets, it is essential for Maryland to update its laws to reflect this emerging asset class.

Ban Untraceable Campaign Contributions

HB 192 would ban cryptocurrency contributions to political campaigns and prevent political campaigns from making expenditures using cryptocurrency.

Campaign finance abuses are nothing new to American politics, but the emergence of new technologies and financing methods creates new considerations for regulation. Cryptocurrency is virtually untraceable, so its use by political campaigns is especially troubling.

In 2018, the Center for Public Integrity found 20 candidates across the political spectrum who had requested or received cryptocurrency to fund their campaigns.² This investigation identified a congressional candidate in Maryland who was soliciting crypto campaigns in the 2018 primary election. At least three other candidates were from a state that has since banned such donations. Another candidate was accepting cryptocurrencies marketed as untraceable.

¹ Pew Research Center:
<https://www.pewresearch.org/fact-tank/2021/11/11/16-of-americans-say-they-have-ever-invested-in-trade-d-or-used-cryptocurrency/>

² <https://publicintegrity.org/politics/state-politics/how-cryptocurrency-is-sneaking-into-state-elections/>

More recently, \$580,000 was donated via cryptocurrency to federal campaigns in 2021 through the end of January 2022.³ The true amount, however, is largely unknown as some campaign committees that received crypto contributions don't follow Federal Election Commission reporting guidance and entities that study money in politics generally don't track cryptocurrency contributions.

The inability for the public to determine the origin of cryptocurrency contributions runs counter to the goals of election transparency. It is for this reason that Maryland already bans cash contributions in excess of \$100. This limit on cash contributions has been in place since 2011 to control anonymous and untraceable political contributions.

Another concern with cryptocurrency contributions is the extremely volatile nature of crypto exchange valuation.⁴ Some cryptocurrencies fluctuate in value by as much as 10% in a single day and can double in value within a week. This means that a crypto contribution made to a campaign could be worth well more than the \$6,000 limit allowed by Maryland law by the time the campaign disposes of the crypto asset. Just as political campaigns in Maryland are not allowed to receive stocks, which also fluctuate in value, campaigns should not be allowed to accept cryptocurrency.

Enforcement of these new campaign finance provisions would be facilitated by expanded subpoena authority for the State Board of Elections. The State Board of Elections already has subpoena authority for investigating other aspects of campaign finances.

Three states currently ban crypto contributions to political campaigns (Michigan, North Carolina, and Oregon).

Payment of Back Taxes

HB 192 adds cryptocurrency exchanges to the list of financial institutions the Comptroller is authorized to make information requests to in their enforcement of Maryland tax laws. New York implemented a similar provision last year.

The Comptroller's Office can already go after other types of financial assets (wages, bank accounts, savings and loan association accounts, credit union accounts, and mutual fund accounts) as well as physical assets (cash, safe deposit boxes, real property, equipment, vehicles, inventory, and liquor licenses). Cryptocurrency accounts should be treated similarly as these other asset classes in the enforcement of the state's tax laws.

³ *Bloomberg*: [Crypto's Preferred Currency for Political Donations Isn't Bitcoin. It's Dollars](#)

⁴ For real-time examples of the volatility of cryptocurrencies, see: <https://coinmarketcap.com/trending-cryptocurrencies/>

Because of the untraceable nature of cryptocurrency, it has increasingly become a tool that facilitates tax evasion.⁵ As noted by the Maryland Financial Consumer Protection Commission, “cryptocurrencies have given bad actors new ways to conduct old crimes.”⁶

This bill applies only to cryptocurrency exchanges regulated under the Maryland Money Transmission Act. Several cryptocurrency exchanges, including Binance and Coinbase, currently maintain Maryland money transmitter licenses, just as banks, credit unions, and other financial institutions are regulated under our state’s money transmission laws.

The authority proposed in this bill for the Comptroller’s Office would help ensure that crypto assets are not used to evade Maryland’s tax laws.

⁵ [Bloomberg: Crypto Investors Likely Paying IRS Less Than Half the Taxes They Owe; NFT Investors Owe Billions in Taxes and IRS Sets Sights on Evaders; ‘Hundreds’ of Crypto Cases Coming, IRS Criminal Chief Says](#)

⁶ 2018 Final Report