

California Fair Political Practices Commission

Cryptocurrency Contributions¹

Introduction

The Political Reform Act (the “Act”)² defines “a contribution” as any payment made for political purposes without full and adequate consideration being received. With the adoption of Regulation 18421.2, a committee may solicit a contribution of cryptocurrency as a monetary contribution, subject to the specific requirements discussed below. This fact sheet provides an overview of the rules applicable to cryptocurrency campaign contributions as well as general reporting guidance.

A. Cryptocurrency Contributions

Committees may solicit contributions of cryptocurrency, or virtual currency, in any amount not exceeding any applicable contribution limit. While committees cannot receive cryptocurrency contributions directly, committees may receive these types of contributions through a payment processor selected to act as a vendor on behalf of the committee. The amount of a cryptocurrency contribution is the fair market value of the cryptocurrency at the time the payment processor obtains possession of the contribution.

The Act also imposes contribution limits on candidates for elected office and their controlled committees that vary depending on the particular office for which the candidate is running. (See generally chapter 5, article 3 of the Act.) Similarly, the Act prohibits contributions from certain sources, including foreign principals, and prohibits anonymous contributions of \$100 or more from any source. Contributions received in cryptocurrency are still subject to any applicable limits and may not be accepted from foreign principals, or anonymous sources. Cryptocurrency contributions from lobbyists that would otherwise be prohibited by the Act must not be made or received through the payment processor.

B. Processing Cryptocurrency Contributions

Any cryptocurrency contribution must be made and received through a U.S. based cryptocurrency payment processor registered with the U.S. Department of Treasury, Financial Crimes Enforcement Network, which utilizes know your customer (KYC) protocols to verify the identity of the contributor for all contributions.

A committee that chooses to solicit contributions in cryptocurrency must ensure that the payment processor it selects to process these contributions does the following:

¹ This fact sheet is informational only and contains only highlights of selected provisions of the law. It does not carry the weight of the law. For further information, consult the Political Reform Act and its corresponding regulations, advice letters, and opinions.

² The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18104 through 18998 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

- Utilizes KYC procedures that enable it to know the identity of each contributor,
- Collects the name, address, occupation, and employer of each contributor at the time the contribution is made and transmits this to the committee within 24 hours of the time the contribution is made, and
- Immediately converts the cryptocurrency to U.S. dollars upon receipt at the prevailing rate of exchange at the time of receipt, and deposits the funds into the committee's campaign bank account within two business days of receipt.

C. Reporting Contributions

For reporting cryptocurrency contributions, committees should note the following points:

- The amount of a cryptocurrency contribution is the fair market value of the cryptocurrency at the time the payment processor obtains possession of the contribution.
- A cryptocurrency contribution is received on the date the payment processor, an agent of the committee, obtains possession of the cryptocurrency that constitutes the contribution.
- The entire amount of the cryptocurrency contribution is reported as a monetary contribution. The processing fee charged by the payment processor is not deducted from the amount reported.
The processing fee is reportable as an expenditure of the committee at the time the fee is deducted or charged.
- For each cryptocurrency contribution of \$25 or more, the date received, amount, and full name and street address, including zip code, of the contributor must be documented in the committee's records. In addition, the total amount received from the contributor over the course of the current calendar year (the "cumulative amount") must be recorded.
- For each cryptocurrency contribution of \$100 or more, the date received, amount, and full name and street address, including zip code, as well as the occupation and employer of the contributor, must be disclosed.

Example: A candidate-controlled committee contracts with a payment processor, which charges a 2% processing fee, to accept cryptocurrency on its behalf for the upcoming election. The payment processor accepts a contribution in bitcoin valued at \$1,000 on September 15.

The committee would report the receipt of the \$1,000 cryptocurrency in the following ways on the Form 460:

- Schedule A: The committee would report the receipt of the \$1,000 as a monetary contribution. The committee would disclose the date received as September 15 and report all the required contributor information.
- Schedule E: The committee would report the processing fee of \$20 as an expenditure.

Please note that if a cryptocurrency contribution is received and valued at \$1,000 or more from a single source in the 90 days prior to or on the date of an election, the committee may incur additional filing obligations such as the Form 497.

The following Government Code sections and Title 2 regulations provide authority for the information in this document:

Government Code Sections

Section 82015
Section 82025
Section 84211
Section 84306

Title 2 Regulations

Regulation 18401
Regulation 18421
Regulation 18421.1
Regulation 18421.2