

Chairman Neal, Ranking Member Brady, I want to sincerely thank you for allowing me the opportunity to testify this morning on a topic of importance to me, and that is blockchain technology. And I want to spend some time this morning highlighting some policy changes and proposals that I, and many others from both sides of the aisle, believe will help keep this technology from continuing to go offshore to places like Malta or Singapore.

First, I'd like to talk about why virtual currencies should have a *de minimis* exemption because currently, as you all probably know, cryptocurrencies and blockchain tokens do not qualify. The IRS treats virtual currencies as property under US tax law. And this of course means that the sale or exchange of blockchain tokens for fiat currency or other goods and services is a taxable event. For example, if a token user spends \$0.65 worth of Bitcoin to buy soda from a vending machine, he is by law required to calculate (and pay) the tax liability associated with that transaction. This is not a sustainable model in my view.

Luckily, there is legislation in this space already to fix this problem, the Cryptocurrency Tax Fairness Act, introduced last Congress by former Representative (now Governor of Colorado) Jared Polis and this committee's own, and my friend, David Schweikert. I was a proud cosponsor of this legislation. The simplest fix to this problem is for lawmakers to extend the *de minimis* exemption for personal transactions in foreign currency to cover transactions in blockchain tokens as well. I'm sure this bill will be reintroduced at some point this Congress, and I'd urge this Committee to consider the legislation. It's vital we do so.

Secondly, I'd like to talk about a piece of my own legislation from last Congress, the Virtual Value Tax Fix of 2018, or HR 7361. I hope to have an updated version of this bill with a Democrat lead ready for introduction soon. This is another simple bill that would simply ensure that digital assets are recognized as a property eligible for the "like kind exchange" tax deferral treatment historically allowed under Section 1031.

What we see now is effective double taxation of blockchain transactions whose economic reality is a purchase, as well as a sale; tax treatment causing much higher and disproportionate recordkeeping burdens on taxpayers; and a deterrent impact on all blockchain-based activity resulting from the foregoing impacts.

An effective sales tax of nearly 40% penalizes the use of digital units in commerce. The use of digital assets is already treated as a "sale" of the asset, even though the economic reality of the transaction is a purchase of a consumer good. In fact, for knowledgeable consumers and digital asset holders, the use of digital units would be very strongly deterred by this tax change. A consumer using bitcoin to buy a flat-screen TV set (or any other consumer good) faces double taxation: first, a sales tax (in many states) on the purchase, and second, a capital gain on the bitcoin used for the purchase

The bottom line is this is a national security issue and of utmost importance that we continue to develop this technology in the United States. I would respectfully urge the members of this committee to hear and consider the two bills that I've highlighted today. They would be bipartisan, and I know they would help develop the most important technology since the internet. There are trade groups like the Coin Center, the Blockchain Association, and the Digital Chamber that would all stand ready to work with you.

Before I close, I just want to switch topics briefly and spend a minute highlighting the importance of passing the USMCA and the positive impact it will have on my district. The USMCA is an agreement that will be a win for America's businesses, workers, and farmers. In particular, I want to highlight Iredell County dairy farmers from my district (the largest dairy producing district in North Carolina) who will benefit from this deal by getting better access to the Canadian dairy marketplace and from having access to fairer markets for their products. Bottom line: the USMCA will give American businesses better access to various trade sectors in North America than previously seen under NAFTA. I urge House leadership to bring this bipartisan agreement to the House floor for a vote as quickly as possible.

Thank you all for your time, for your leadership, thank you Ranking Member Brady for your friendship, and I yield back my time to the Chairman.