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Kentucky Updates to Blockchain and Digital Asset Laws

A new bill passed in Kentucky, called "An Act Relating to Blockchain Digital Assets" (the "Act"), provides an enhanced statutory framework for blockchain technology and its use. The Act was signed by Governor Andy Beshear on March 24, 2025, and has an effective date of June 27, 2025. It will be codified within Chapter 369 and KRS 286.11-007 of the Kentucky Revised Statutes.

The Act's reach touches upon Kentucky's Uniform Electronic Transactions Act, Kentucky's Consumer Protection Act, and its money transmission laws, as well as all individuals electing to accept digital assets as payment for services.

Kentucky Uniform Electronic Transactions Act

The Act adds three new sections to the state's Uniform Electronic Transactions Act (UETA), including statutory definitions for blockchain, blockchain protocol, cryptocurrency, digital asset, node, nonfungible token, stablecoin, staking, self-hosted wallet and third-party wallet.

Importantly, the Act establishes that an individual shall not be prohibited from accepting digital assets for payment for legal goods or services; and that when parties agree to the exchange of digital assets in compensation, then payment shall not be subject to additional taxes, withholdings, assessments, or charges based *solely* on the use of the digital asset as the payment medium.

Conversely, the Act does not require any person (defined as individuals and legal entities) to accept digital assets for payment for legal goods or services. And for those businesses providing staking as a service, they shall have no liability for a specific transaction if the person only validates the transaction.

Kentucky Consumer Protection Act

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Under the Act, the Attorney General of Kentucky is granted authority to initiate action under KRS 367.110 to 367.300, which is part of the Kentucky Consumer Protection Act, "relating to the offering or providing staking as a service to individuals or other businesses." This section may be consequential because the Kentucky Consumer Protection Act declares that unfair, false, misleading or deceptive acts or practices in the conduct of any trade or commerce are declared unlawful.

Money Transmitters

The Act exempts from the definition of "money transmitters" any individual or business that (1) develops or deploys software on a blockchain protocol, even if the software effectuates the exchange of one digital asset for another digital asset; (2) exchanges digital assets for other digital assets; or (3) operates a node or series of nodes on a blockchain protocol.

If you have any questions about whether these updates to Kentucky's blockchain and digital asset laws may impact your business, please contact the authors or any attorney with Frost Brown Todd's Data, Digital Assets and Technology practice.

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