



Proposal to Legalize Alternative Currencies Remove Corporations Code Section 107

SUMMARY

The proposed bill removes California Corporation Code Section 107, which, currently prohibits the circulation of community currencies. The removal of this section will foster the growth of more inclusive and innovative forms of exchange that benefit local communities and the state-wide economy as a whole. Aligning with laws in 47 other U.S. states and the federal government, this amendment will promote increased economic activity and stability while ensuring that all local, state, and federal tax laws are still enforced.

BACKGROUND

Currently, California is one of only three states (alongside Virginia and Arkansas) in the USA that explicitly prohibit the creation and circulation of local currencies. Dating back to 1849, this law is outdated, vague, and serves little purpose in the complex and dynamic economy of the 21st century. Fostering the growth of more diverse forms of exchange - including community currencies - will help to keep more wealth circulating in our communities, allow more people access to capital, and preserve the unique local identity of communities across the state.

Community currencies are an effective and proven method for stabilizing local and regional economies in time of financial uncertainty. By incentivizing spending money locally, community currencies promote thriving and resilient local economies, generating more local tax revenue in the process. In creating an alternative source of financing small businesses and micro enterprises, community currencies also create jobs and opportunities for people to access goods and services they may not otherwise be able to afford.

Examples of successful community currencies abound and have broad-based support from local businesses, chambers of commerce, consumers, and community groups. The circulation of community currencies can generate more tax revenue, and reduce dependence on costly social welfare programs. With advances in online software and trading platforms, local currencies are easily tracked to prevent tax evasion. Fostering such innovative approaches to local economic resilience is vital to California.

WHAT THE BILL DOES

The proposed bill simply removes the outdated and vague California Corporation Code Section 107. It also clearly states that all transactions in local and alternative currencies are subject to the same local and Federal tax laws and regulation as the U.S. Dollar.

CONTACT



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Proposed Bill Language:

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

The Legislature finds and declares all of the following:

- (a) California is one of only three states in the United States with a law that could be interpreted to prohibit individuals and groups from circulating money other than U.S. Dollars. This law was created with the original California Constitution in 1849 and was codified into the California Corporations Code in 1972 during a revision of the Constitution. This law is both vague and of limited relevance in the 21st Century. This law has not, to anyone's knowledge, been enforced since its codification into the Corporations Code, even though innumerable organizations and businesses in California are potentially breaking this law.
- (b) There is a growing movement around the state, country, and world to enable citizens to exchange using means other than national currencies. Innumerable websites now enable people to provide and receive things of value using "points," "credits," and other recordkeeping systems. In addition, many community organizations and local governments in and beyond California are now creating or contemplating the creation of community-based currencies, which could contribute substantially to the growth and stability of local economies.
- (c) Removing this legal barrier to the creation of local and alternative currencies in California does not, in any way, create an exemption for those currencies from the rules and regulations that govern the U.S. Dollar, nor from any local or Federal laws that govern the issuance and circulation of currencies. For example, all income received in the form of a currency other than the U.S. Dollars is subject to the same taxation as income received in U.S. Dollars. In addition, all regulations on banks, credit unions, and money services businesses apply to all currencies and money, and not just to U.S. Dollars.

Section 107 of Chapter 1 of Division 1 of Title 1 of the Corporations Code is removed from California law:

~~107. No corporation, flexible purpose corporation, association or individual shall issue or put in circulation, as money, anything but the lawful money of the United States.~~