



Could Ohio be paving the way for Bitcoin as a regular currency?

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Ohio has become the first state in the country to permit business taxes to be paid with the cryptocurrency Bitcoin.

Diego Zuluaga, a policy analyst at the free-market oriented Cato Institute, says this could be a step toward the recognition and use of Bitcoin as a valid means of exchange, opening up the market for competing currencies.

Bitcoin is a nongovernmental digital currency that is not linked to a central bank. Although it is meant to be a means of exchange, the Internal Revenue Service classifies Bitcoin as a property. This poses a problem for its use as a currency because the IRS applies the capital gains tax to Bitcoins that are held onto as an investment. Additionally, many Bitcoin owners have been using the cryptocurrency as a commodity and an investment more so than a currency because of its frequent fluctuations in value.

But Ohio's Treasury took a step forward in assisting in its function as a currency by accepting Bitcoin as payments. The Treasury launched a website, **OhioCrypto.com**, to function as a portal to pay business taxes through Bitcoin. According to a news release, this will allow easy payments from any location and reduced risk in identity fraud.

"We are proud to make Ohio the first state in the nation to accept tax payments via cryptocurrency," Ohio Treasurer Josh Mandel said. "We're doing this to provide Ohioans more options and ease in paying their taxes and also to project Ohio's leadership in embracing blockchain technology."

The website will allow real-time tracking of transactions and charge a fee for the transactions. The state will not keep Bitcoins stored as investments, but rather immediately convert them to U.S. dollars before they enter the state's account.

Zuluaga told Watchdog.org that this gives Ohio taxpayers more flexibility, which is generally a good thing. But he said it may be complicated because only state business taxes can be paid through Bitcoin while federal business taxes could not. He also expects that this program will not take off quickly because most business owners are older, while most Bitcoin owners are younger.

Despite expecting a slow start, Zuluaga said Ohio's policy will allow Bitcoin to actually function as a currency instead of just a commodity, which could help pave the way for the up-and-coming cryptocurrency market.

To continue facilitating innovation on this ground, Zuluaga said that states can roll back expensive licensing regulations that make it difficult to enter into the cryptocurrency market.