
OLR Bill Analysis

sHB 6990 (as amended by House "A")*

AN ACT CONCERNING THE SEIZURE AND FORFEITURE OF DIGITAL WALLETS AND VIRTUAL CURRENCY.

SUMMARY

This bill establishes a process for state forfeiture of virtual currency and virtual currency wallets possessed, controlled, designed, or used as a way to commit larceny or that are proceeds of a larceny. The hearing process is similar to that under existing laws for forfeiting property related to criminal activity (e.g., the state must prove facts authorizing the forfeiture by clear and convincing evidence), but the state must begin the proceeding within 90 days after seizing the items and the hearing must occur at least two weeks after notice is made about the proceeding, rather than occurring after the criminal proceeding concludes. The bill requires the forfeited currency and wallets to be used to compensate victims with money-related loss from the involved crime.

The bill explicitly includes virtual currency and virtual currency wallets in the property subject to the state's existing laws on (1) issuing a search warrant or seizing property associated with a criminal arrest or under a search warrant and (2) forfeiting property related to drug and money laundering, identity theft, and sexual exploitation, prostitution, and human trafficking crimes.

For the currency or wallet forfeiture as part of a drug, money laundering, identity theft, sexual exploitation, prostitution, or human trafficking crime, the bill allows the court to order that notice about the proceeding be made by means other than notifying the property owner and other interested persons by certified or registered mail. But it may only do so if the prosecutor (chief state's attorney or other attorney in his office) shows that the alternate method, which may include electronic means, would be sufficient and appropriate under the circumstances. Forfeited property in these cases is sold at public auction

with the proceeds used for, among other things, paying liens, property preservation costs, and court costs.

Lastly, the bill makes technical and conforming changes, such as correspondingly explicitly including virtual currency and virtual currency wallets in the embezzlement statute's definition of "equivalent property," which is property that can be readily converted into fiat currency.

*House Amendment "A" replaces the original bill (File 270) which only explicitly included digital wallets and virtual currency in the property subject to certain property forfeiture laws.

EFFECTIVE DATE: July 1, 2026

VIRTUAL CURRENCY FORFEITURE FOR LARCENY

Scope

The bill generally makes virtual currency and virtual currency wallets (but not a virtual currency kiosk) possessed, controlled, designed, or used as a way to commit larceny, or that are proceeds of a larceny, subject to state forfeiture. For the wallets, the forfeiture includes their contents even if it is commingled with other property.

By law, larceny is wrongfully taking, obtaining, or withholding property from another person with the intent to deprive that person of the property or to appropriate it to another person (CGS § 53a-119). A person can commit larceny in a number of ways including through embezzlement, extortion, or obtaining property by false pretenses or promises. The degree of the crime varies by things like the form of committing the crime and value of property involved.

Process

The bill gives a prosecutor 90 days after the seizure of virtual currency or a virtual currency wallet that is subject to forfeiture as part of a lawful criminal arrest or search to bring a civil action against the property to order its forfeiture.

Under the bill, the court must identify the currency's or wallet's

owner and anyone else who appears to have an interest in it. It must order the state to notify these parties about the proceeding by certified or registered mail, unless the prosecutor shows that that an alternate method, which may include electronic means, would be sufficient and appropriate under the circumstances.

The bill requires a hearing on the state's petition to be held promptly, but at least two weeks after notice is made. At the hearing, the state must prove the material facts by clear and convincing evidence and the court must hear the evidence, make findings of fact, enter conclusions of law, and issue an appealable final order.

The bill prohibits testimony or other evidence from the owner or interested person at the hearing, or that is discovered due to that testimony or evidence, from being used against the owner or person in another proceeding unless it involves criminal prosecution for perjury or contempt in the forfeiture hearing.

Exemptions

The bill prohibits virtual currency or a virtual currency wallet forfeiture to the extent:

1. of the interest of an owner or lienholder who did not know or could not reasonably have known about its use, intended use, or that it was derived from criminal activity or
2. it was used or will be used by its owner for legitimate attorney's fees to defend against criminal prosecution.

BACKGROUND

Definitions

By law, "virtual currency" is a digital unit (1) used as a medium of exchange or form of digitally stored value or (2) incorporated into payment system technology. It includes digital units of exchange that have a centralized repository or administrator, are decentralized without a centralized repository or administrator, or may be created or obtained by computing or manufacturing effort. It excludes digital units used:

1. solely in online gaming platforms with no other market or application or
2. exclusively in a consumer affinity or rewards program that (a) can be used only as payment for purchases with the issuer or another designated merchant and (b) cannot be converted into, or redeemed for, fiat currency.

A “virtual currency wallet” is a software application or other way to hold, store, and transfer virtual currency, and a “virtual currency kiosk” is an electronic terminal that acts as a mechanical agent of its owner or operator to help exchange virtual currency for fiat currency or other virtual currency (CGS § 36a-596).

COMMITTEE ACTION

Banking Committee

Joint Favorable

Yea 13 Nay 0 (03/11/2025)

Judiciary Committee

Joint Favorable

Yea 37 Nay 0 (04/25/2025)