



Illinois Legalizes Blockchain Contracts

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Danny Nelson



With the new year Illinois became the latest state to recognize smart contracts and other blockchain-based records as legal instruments.

The state's "[Blockchain Technology Act](#)," sponsored by Rep. Keith Wheeler (R), took effect Jan. 1, opening a slew of potential new legal scenarios for blockchain-based contracts. These contracts are now admissible



"A smart contract, record or signature may not be denied legal effect or enforceability solely because a blockchain was used to create, store or verify the smart contract, record or signature," the law reads in part.

Illinois joins other U.S. states in recognizing smart contracts in legal settings. Vermont [led the charge](#) with its 2016 move to make blockchain records admissible in court. One year later, [Arizona passed](#) similar legislation recognizing blockchain signatures.

The Illinois law extends the same legal recognition already enjoyed by paper contracts to blockchain contracts and agreements so that they are recognized as legally binding in the eyes of the state.

It also shields the blockchain industry from local government interference, meaning cities and towns cannot impose taxes and regulations or require licensing or permits on blockchain systems or those who use them.

"The law ensures that businesses and individual community members will not have to navigate a patchwork of local blockchain regulation," said Alison Mangiero, president of blockchain technology company TQ Tezos and a proponent of the bill.

Its backers in the Illinois State legislature [hailed](#) the bill when it was passed as a means of providing companies and businesses with a legal framework for embracing new technologies. Governor J.B. Pritzker signed the measure into law in August.

Mangiero agrees. She said legal certainty and stability will allow firms to focus their efforts on developing new uses for the technology, including facilitating transactions.



she predicts it could face a legal challenge.

“The law is likely to be tested in courts by parties who later want to try and invalidate a blockchain transaction, she said.

Ruderman added the Illinois law’s success may be hindered by its borders. Just because Illinois recognizes blockchain and smart contracts doesn’t mean a different state, like neighboring Indiana, will do the same.

“It may not make sense for businesses who operate outside of Illinois to implement blockchain-based contract management only in Illinois and not elsewhere,” she said. “This may be an area where it makes sense for industry to come together and agree on some standards to fill the gaps.”

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