



CRYPTOCURRENCY GUIDELINES FOR POLITICAL PARTICIPANTS

Election Finances and Contributions Disclosure Act

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Overview

The following guidelines apply if you are a:

- Registered political party
- Registered constituency association
- Registered candidate, including a senate candidate
- Registered leadership contestant
- Nomination contestant

Elections Alberta receives general inquiries about its position on accepting contributions in the form of cryptocurrencies. Public interest in cryptocurrencies has been rising, especially with the proposed *Alberta Financial Innovation Act* (Bill 13). The Chief Electoral Officer has developed this Guideline to provide information on accepting contributions in the form of cryptocurrencies.

The Chief Electoral Officer has established these guidelines under the *Election Finances and Contributions Disclosure Act* (EFCDA) and they have the force of law.

What are cryptocurrencies?

The term cryptocurrency refers to a digital asset designed to work as a medium of exchange for goods and services. Bitcoin and alternative digital currencies (altcoins) are the most commonly used cryptocurrencies. Cryptocurrency is not currently considered legal tender in Canada.

Are cryptocurrency contributions money or non-monetary contributions?

Cryptocurrency provided to a political party, constituency association, candidate, nomination contestant or leadership contestant falls within the definition of contribution under section 1(1)(e) of the EFCDA as a contribution other than money:

1(1)(e) “contribution” means, subject to subsection (5), any money, real property, goods or services, or the use of real property, goods or services, provided

(i) to a political party, constituency association, candidate, nomination contestant or leadership contestant, or

(ii) for the benefit of a political party, constituency association, candidate, nomination contestant or leadership contestant with the consent of the political party, the constituency association, the candidate, the nomination contestant or the leadership contestant,

without compensation from that political party, constituency association, candidate, nomination contestant or leadership contestant;

Elections Alberta considers a contribution of cryptocurrencies to be a non-monetary contribution, i.e., valued/in-kind contributions.



Valuing Contributions Other than Money

Receiving a cryptocurrency contribution

The amount of the cryptocurrency contribution to be recorded is the market value of the cryptocurrency, in Canadian dollars, at the time that it was received, based on the actual exchange rate or the rate on a registered major exchange platforms (such as Netcoins, Coinsmart, Bitbuy, etc.).

Purchasing cryptocurrency

If cryptocurrency is purchased by the political entity for less than the fair market value on the date of purchase, the difference between the purchase price and fair market value is considered a contribution and the rules around eligible contributors apply.

This is in accordance with section 22 of the EFCDA which states:

22(1) The value of contributions other than money provided to a registered party, registered constituency association, registered candidate, nomination contestant or registered leadership contestant is the market value of the contribution at that time.

(2) If any real property, goods or services, or the use of real property, goods or services, is provided to or for the benefit of a registered party, registered constituency association, registered candidate, nomination contestant or registered leadership contestant for a price that is less than the market value at that time, the amount by which the value exceeds the price is a contribution for the purposes of this Act.

Who can contribute cryptocurrency?

- Contributions of cryptocurrency must continue to accord with the EFCDA. No special rules or amendments apply. This includes the following:

Responsibility of contributors

15.1 A prospective contributor is responsible for ensuring, before making a contribution under this Act, that the contributor is not prohibited from making a contribution and is not making a contribution that is in excess of the limit prescribed by [section 17\(1\), \(1.1\) or \(1.2\)](#) or [18\(1\)](#).

Contributions only by persons

16 No contributions to a registered party, registered constituency association, nomination contestant, registered leadership contestant or registered candidate shall be made other than by a person ordinarily resident in Alberta.

- Cryptocurrency contributions must be from eligible contributors, using their own funds, and must be within the contribution limits of the contributor.
- Similarly, cryptocurrency contributions to third party advertisers are subject to all of the contribution rules that apply to all types of third party advertisers.



- Contributions over \$50 cannot be made anonymously.

Anonymous and unauthorized contributions

21.1(1) Any anonymous contribution in excess of \$50 and any contribution or portion of a contribution made in contravention of this Act accepted by a registered party, registered constituency association, registered candidate, nomination contestant or registered leadership contestant must not be used or expended, and the registered party, registered constituency association, registered candidate, nomination contestant or registered leadership contestant

(a) shall return the contribution to the contributor if the contributor's identity can be established, or

(b) if the contributor's identity cannot be established, shall pay an amount equivalent to the contribution to the Chief Electoral Officer.

Summary of Acceptability of Cryptocurrencies as Contributions

The rules set out in the EFCDA that regulate contributions apply to contributions of cryptocurrency. More specifically, a cryptocurrency contribution must:

- be attributed to an identifiable contributor.
- be made from eligible contributors, using their own funds and within the contribution limits of the contributor.
- be recorded at the market value of the cryptocurrency, in Canadian dollars, at the time that it was received, based on the actual exchange rate or the rate on a major exchange platform.

Deposit of Cryptocurrency Contributions

The recipient of a cryptocurrency contribution can convert the non-monetary contribution to money at any time. The recipient is responsible for accurately recording the gain or loss from these transactions in their financial filings as other income or as other expenses for the year (or for the campaign, if applicable) in which the cryptocurrency was disposed, regardless of the fair market value that was attributed at the time the cryptocurrency contribution was made.

Once the cryptocurrency is converted into money, it must be deposited into an appropriate account on record with the Chief Electoral Officer.

Deposit of contributions

14(1) All financial contributions accepted by or on behalf of a registered party, registered constituency association, registered candidate, nomination contestant or registered leadership contestant shall be paid into an appropriate account on record with the Chief Electoral Officer.



(2) When any contribution of other than money, accepted by or on behalf of a registered party, registered constituency association, registered candidate, nomination contestant or registered leadership contestant, is converted at any time into money, that amount shall be paid into an appropriate account on record with the Chief Electoral Officer.

Transaction Records and Documentation

The Chief Financial Officer (CFO) will record the following for each cryptocurrency contribution received:

- Contributor's name and address;
- Transaction number on the blockchain or other public ledger;
- Public address of the digital wallet of the contributor;
- Contribution date;
- Amount and type of cryptocurrency sent; and
 - Market value, in Canadian dollars, at the time that the contribution was made and received, and any transaction fees deducted. The CFO must have supporting documentation for the exchange rate used to establish market value.

Cryptocurrency contributions must be supported by information that allows the CFO to record and trace the individual contributor.

Contribution Receipts

Cryptocurrency contributions are eligible for a contribution receipt in accordance with the EFCDA, for the fair market value of that cryptocurrency at the time the contribution is made.

Receipts

33 Every registered party, registered constituency association, registered candidate, nomination contestant and registered leadership contestant shall issue a receipt in the form and manner approved by the Chief Electoral Officer for every contribution accepted, and the receipt must indicate

- (a) whether it has been issued in respect of an election under the [Election Act](#), an election under the [Alberta Senate Election Act](#) or a nomination contest or leadership contest,
- (b) that the contributor acknowledges that the contribution is made in compliance with this Act, and
- (c) where information about the making of contributions can be found.



Currently, under section 24 of the *Income Tax Act*, tax deductions are allowed only for contributions to:

- registered political parties,
- registered constituency associations,
- registered candidates, and
- registered leadership contestants

This excludes eligibility for tax deductions for contributions to nomination contestants, senate, or any type of third-party advertisers.

Purchasing Goods, Services or Property with Cryptocurrency

If a political party, constituency association, candidate, nomination contestant or leadership contestant purchases goods, services or property using a cryptocurrency, those transactions must be recorded and tracked in the same way that monetary purchases are recorded, tracked and reported.

Like monetary transactions, the cryptocurrency transaction must be at fair market value.

The CFO's determination of the fair market value of a cryptocurrency transaction must be in Canadian dollars, at the time that the transaction occurred. The CFO must have supporting documentation for the exchange rate used to establish the market value.

- Any transaction fees incurred shall be recorded as an expense in the same way that banking fees are recorded as expenses.

As part of surplus disposal after a campaign, once all expenses are paid, Nomination Contestants, Leadership Contestants, and Candidates, can transfer their cryptocurrencies to their parties. Any such transfer must be recorded as to source and amount by both the transferor and the transferee. The amount must be recorded at the actual exchange rate if the cryptocurrency is converted to money. If transferred as cryptocurrency, the amount must be recorded at the rate on a major exchange platform at the time of the transfer.

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