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Weekly Policy Memo: Week of July 20, 2026

<https://community.pgpz.org/updates/2026-07-20-weekly-policy-memo>

Key Takeaways

- Senate Republicans released a draft of the CLARITY Act that consolidates language from the Banking and Agriculture contains a new section on ethics to satisfy Democratic concerns.
- Senate Democrats are not satisfied with the ethics provision based on anticipated challenges with enforcement (the DOJ would be responsible for enforcing the ethics provisions against the president and other covered government officials).
- Republican and White House opposition to direct state attorney general actions, what Democrats are pushing for, appears to be a significant constraint, although alternative mechanisms involving enforcement against intermediaries remain under discussion.
- Patrick Witt will continue in his role as Executive Director of the President's Council of Advisers on Digital Assets.
- The Digital Chamber, a digital asset trade association, sued the State of Illinois over its digital-asset tax provision that will take effect next year.

Action Items

- Call your senators' offices to advocate for the passage of the CLARITY Act with developer protections preserved and join the PGPZ Coalition Market Structure Working Group.
- Illinois residents should call their local state representative and senator, framing the law's implementation as a consumer privacy and data security issue. Explain that the law forces platforms to aggressively log and track the financial data of everyday citizens to prove whether they reside in Illinois, creating a massive honeypot for hackers. Push for a legislative amendment to clearly exempt noncustodial software and peer-to-peer transfers entirely.
- Monitor the lawsuit for any request for preliminary injunctive relief, the State of Illinois' response, and clarification regarding the precise transactions and service providers covered by the tax. The court's treatment of the Internet Tax Freedom Act claim will be particularly relevant to whether similar digital-asset taxes may be adopted by other states

X Post of the Week:



Senate CLARITY Act Negotiations Remain Constrained by Ethics and Scheduling Disputes

- Senate Republicans released a [draft](#) of the Digital Asset Market Clarity Act (CLARITY Act) that consolidates language from the Banking and Agriculture Committee, containing a new section on ethics to satisfy Democratic concerns.
- A group of Senate Democrats participating in the negotiations concluded in a joint [statement](#) that the consolidated draft does not adequately address ethics restrictions, consumer protection, illicit finance, conflicts of interest, or market integrity. Their position is significant because the Senate is expected to require 60 votes to invoke cloture, which limits debate and overcomes a filibuster so the chamber can move toward a final vote. The statement does not end negotiations, but it demonstrates that the current text lacks a reliable bipartisan coalition and therefore lowers the probability of immediate floor action.
- Senator Cynthia Lummis (R-WY) [characterized](#) release of the consolidated draft as an important procedural milestone, while acknowledging that the text remains negotiable. Republican and White House opposition to direct state attorney general actions appears to be a significant constraint, although alternative mechanisms involving enforcement against intermediaries remain under discussion. The consolidated draft improves procedural readiness but does not establish the votes necessary for passage.
- The White House [argues](#) that President Trump has accepted broad restrictions on the issuance or sponsorship of digital assets by senior government officials. The proposed provision would authorize civil penalties and federal enforcement, but it would principally rely on the Department of Justice. It would not provide direct enforcement authority to state attorneys general, and it would expire in January 2029, at the end of the current administration. The parties have therefore moved beyond whether an ethics provision should exist and are now disputing its enforceability and durability.
- Relatedly, President's Council of Advisers on Digital Assets Executive Director Patrick Witt [deferred](#) National Guard legal training so that he could continue serving as the administration's principal negotiator during the expected Senate debate. His continued par

ticipation preserves institutional knowledge and reduces the risk of disruption at a sensitive stage. This is a modest positive development for negotiations, but it does not independently resolve disagreements over ethics enforcement, illicit finance, consumer protection, or the Senate schedule. The news comes as Harry Jung, the Council's Deputy Director, announced he is leaving the administration.

Why this matters for Zcash:

- The CLARITY Act would generally help the crypto industry, and the Zcash ecosystem, through a deliberate and thoughtful market structure framework that would task the CFTC with oversight over digital commodities.
- If ethics concerns are not addressed to Democrats' satisfaction prior to August recess, the odds of the bill's passage decrease significantly given the shrinking legislative window in August and the anticipated shift to high-priority legislative items such as funding packages. As a reminder, the timing around this vote is complicated because Congress will be heavily focused on the upcoming midterm elections in September and October.

Action Item:

Call your senators' offices to advocate for the passage of the CLARITY Act with developer protections preserved and join the PGPZ Coalition Market Structure Working Group.

Relevant Post:



Kristin Smith



@KristinSmith




I've had many conversations since this came out yesterday, and it doesn't reflect the current state of play.

There is a clear path to pass the Clarity Act before the recess on August 7 – and we must seize it.

To the crypto community: This is our moment. We can get this done. 🇺🇸



Brendan Pedersen



@BrendanPedersen

🗣️ Majority Leader THUNE told reporters the Clarity Act likely won't pass the Senate before August. Asked about Clarity and NIL before recess, Thune said:

"I don't think we'll be able to get them done. I would like to at least get Clarity started. We'll see where the votes are."

9:10 AM · Jul 24, 2026 · 104.1K Views

The 3 leading U.S. digital asset trade groups — @BlockchainAssn, @crypto_council, and @DigitalChamber — express strong support for Senate floor consideration of the Clarity Act.

The time is now for Clarity.

theblockchainassociation.org/api/media/file...



9:04 AM · Jul 24, 2016 · 109.8K Views

Crypto Industry Group Challenges Illinois Digital Asset Tax

The Digital Chamber, a digital asset trade association, sued the State of Illinois over its digital-asset tax provision that was enacted as part of the state budget shortly before the conclusion of the legislative session. The lawsuit seeks to prevent Illinois from enforcing the tax. The Digital Chamber contends that the statute violates the uniformity and due-process clauses of the Illinois Constitution, the Commerce Clause of the U.S. Constitution, and the federal Internet Tax Freedom Act.

The complaint's central argument is that the tax distinguishes between transactions based on the technology used to record or process them. According to the filing, the statute does not differentiate between profitable and unprofitable transactions, realized and unrealized gains, or transfers that do and do not change ownership. Instead, it allegedly distinguishes between traditional financial infrastructure and blockchain infrastructure.

The Digital Chamber further argues that this distinction conflicts with the Internet Tax Freedom Act, which limits discriminatory state and local taxation of electronic commerce. The complaint maintains that federal law generally distinguishes assets according to their legal or economic characteristics rather than the technology used to record ownership.

Why this matters for Zcash:

- This law affects Zcash users in Illinois who use centralized platforms like Coinbase, Kraken, and Gemini, as the platforms will be required to log every purchase, trade, or withdrawal of crypto, including Zcash, and tack on the 0.2% tax, including transfers from a custodial wallet to a noncustodial wallet.
- The law may impact users who use a noncustodial wallet's internal swap functions, which rely on decentralized backend partners. While peer-to-peer transactions via noncustodial wallets would not be subject to the tax, the external liquidity providers, DeFi frontends, and market makers that execute the cross-chain swaps would likely be operating for-profit businesses because they collect fees. If these underlying protocols clear \$100,000 in gross receipts from crypto trades originating in Illinois, the state will consider them "brokers." This may result in companies blocking Illinois residents or limiting available features via geofencing.

Action Items:

- If you are in Illinois, call your local state representative and senator, framing the law's implementation as a consumer privacy and data security issue. Explain that the law forces platforms to aggressively log and track the financial data of everyday citizens to prove whether they reside in Illinois, creating a massive honeypot for hackers. Push for a legislative amendment to clearly exempt noncustodial software and peer-to-peer transfers entirely.
- Monitor the case for any request for preliminary injunctive relief, the State of Illinois' response, and clarification regarding the precise transactions and service providers covered by the tax. The court's treatment of the Internet Tax Freedom Act claim will be particularly relevant to whether similar digital-asset taxes may be adopted by other states.

Relevant Post:

Cody Carbone reposted



Cody Carbone
@CodyCarboneDC



This lawsuit is not solely about [@DigitalChamber](#), but the entire industry. For that reason, we have encouraged all other digital asset and traditional finance trade groups to join our suit in unity against this burdensome and unfair tax.

It's time to stand together and stop this tax.



The Digital Chamber @DigitalChamber · Jul 21

1/ Today we filed suit in Sangamon County, IL, to stop the Digital Asset Tax Act. No one should be taxed differently because of how ownership of digital assets is recorded or transferred.

STATE OF ILLINOIS
IN THE CIRCUIT COURT OF SANGAMON COUNTY, ILLINOIS
CIRCUIT COURT OF THE SEVENTH JUDICIAL CIRCUIT

CHAMBER OF DIGITAL COMMERCE,)
Plaintiff,)
v.) Case No. _____
DAVID HARRIS, the Director of the Illinois)
Department of Revenue in his)
official capacity; and KWAME RAGUIL,)
Illinois Attorney General in his official)
capacity.)
Defendants.)

VERIFIED COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF

Plaintiff Chamber of Digital Commerce d/b/a The Digital Chamber ("TDC" or "Plaintiff"), by and through its undersigned attorneys, brings this Verified Complaint pursuant to the Illinois declaratory judgment statute, 735 ILCS 5/2-701, and Article XI of the Code of Civil Procedure, 735 ILCS 5/11-101 et seq., and invokes the Court's equitable powers, seeking (i) a declaration that the Digital Asset Tax Act, Article 3 of Public Act 104-0468 (the "Act"), is facially invalid under the Illinois and United States Constitutions and is preoccupied by the federal Internet Tax Freedom Act, and (ii) preliminary and permanent injunctive relief barring Defendants from implementing or enforcing the Act. In support, Plaintiff alleges as follows:

1

1:15 PM · Jul 23, 2026 · 2,009 Views