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Weekly Policy Memo: Week of August 24, 2026

<https://community.pgpz.org/updates/2026-08-24-weekly-policy-memo>

Key Takeaways

- The Blockchain Association and Crypto Council for Innovation filed a lawsuit challenging Illinois's Digital Asset Tax Act, which will become effective Jan. 1, 2027. The lawsuit follows a separate July challenge brought by The Digital Chamber.
- Stand With Crypto announced its support for 32 House incumbents in the 2026 midterm elections, with additional House and Senate endorsements expected before the general election. The bipartisan list includes congressional leaders and members of the Agriculture, Financial Services, and Ways and Means Committees.
- The SEC took a significant step towards introducing a digital asset custody-related rulemaking in October.

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.
- Please let us know if you have any feedback on the concept. We will share a summary of the notice of proposed rulemaking once it becomes available.

X Post of the Week:

 **Paul Brigner**   
@paulbrigner

The launch of [\\$ZCSH](#), the world's first Zcash ETP, is incredibly important for many reasons. But IMO, the most important is the signal it sends: Zcash, traditional finance, and financial privacy can coexist within the U.S. regulatory system.

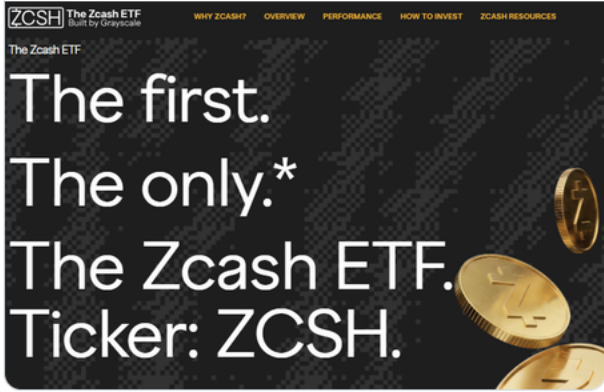
[@BarrySilbert](#), [@murphmarkd](#), [@PeterMintzberg](#), [@CraigSalm](#), [@GoBankYourself](#), [@julie_stitzel](#), and their colleagues at [@DCGco](#) and [@Grayscale](#) have been doing the hard work for years to explain why privacy-preserving financial technology belongs within the regulated financial system.

Yesterday was powerful evidence that they succeeded.

The importance of this moment for Zcash cannot be overstated.

 **Craig Salm**    @CraigSalm · Aug 26

1/ When I joined @Grayscale in 2018, our \$ZEC trust was 1 of just 4 products we offered, launched shortly after the #Zcash protocol itself. Back then it was called the Zcash Investment Trust. Yesterday, it became the world's first Zcash ETP. Here's part of the story. \$ZCSH



9:58 AM · Aug 26, 2026 · 9,876 Views

Industry Groups Challenge Illinois Digital-Asset Tax

The Blockchain Association and Crypto Council for Innovation filed a pre-enforcement lawsuit challenging Illinois's Digital Asset Tax Act, which is scheduled to take effect January 1, 2027. The law imposes a tax equal to 0.2% of the value of a digital asset when an Illinois customer receives an exchange, transfer, or storage service through a covered digital-asset broker. Brokers must collect and remit the tax and comply with registration and recordkeeping requirements. The [complaint](#) argues that the law discriminates against electronic commerce in violation of the federal Internet Tax Freedom Act, improperly burdens interstate commerce, is unconstitutionally vague, violates Illinois tax-uniformity and delegation requirements, and was enacted through procedures inconsistent with the Illinois Constitution. The lawsuit follows a separate July challenge brought by The Digital Chamber. The litigation does not itself suspend the law, and no court has yet resolved the plaintiffs' allegations. Still, the parallel lawsuits increase the likelihood that the statute's validity and enforceability will receive judicial consideration before its effective

date. Implementation therefore remains uncertain, although affected businesses must continue preparing unless a court issues an injunction or the state amends or repeals the law.

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 Item:

- 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.

Relevant Post:

 **Blockchain Association** 
@BlockchainAssn

Today, @Crypto_Council and @BlockchainAssn filed a lawsuit challenging the State of Illinois's Digital Asset Tax Act. A statement from CEOs @_jikim and @SummerMersinger follows.

Press release:
theblockchainassociation.org/posts/blockcha...

CCI  **BLOCKCHAIN ASSOCIATION**

Today, the Crypto Council for Innovation and the Blockchain Association filed a lawsuit in the Circuit Court of Sangamon County challenging the State of Illinois's unconstitutional and unlawful Digital Asset Tax Act.

This tax punishes innovation and discriminates against digital-asset businesses and users. Our lawsuit asks the court to declare the Digital Asset Tax Act unlawful and enter preliminary and permanent injunctive relief barring the State from enforcing it.

JI Hun Kim, CEO, Crypto Council for Innovation
Summer Mersinger, CEO, Blockchain Association

Last edited 5:26 PM · Aug 21, 2026 · 3,147 Views

Stand With Crypto Endorses Bipartisan Group of Congressional Incumbents

Stand With Crypto announced its support for 32 House incumbents in the 2026 midterm elections, with additional House and Senate endorsements expected before the general election. The bipartisan list includes congressional leaders and members of the Agriculture, Financial Services, and Ways and Means Committees, which are likely to retain jurisdiction over digital-asset market structure, taxation, and related legislation. If a substantial number of endorsed candidates prevail, the result could improve the prospects for crypto-related legislation in the next Congress.

Why this matters for Zcash:

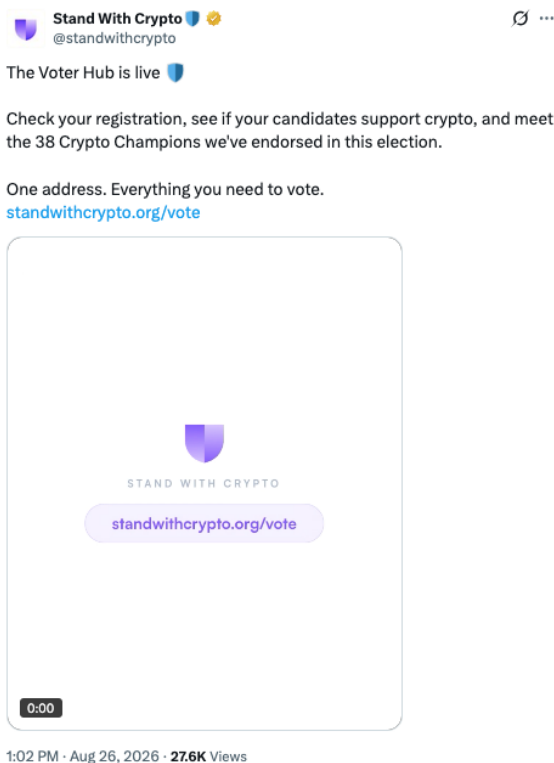
A larger bipartisan group of lawmakers familiar with digital assets could provide a more receptive environment for policies affecting the Zcash ecosystem, exchanges, self-custody, and open-source development.

Note that general support for the industry should not be presumed to include support for financial privacy or shielded transactions, although the inclusion of members positioned to influence financial-services, agriculture, and tax policy creates opportunities for targeted education concerning zero-knowledge proofs, viewing keys, and selective disclosure.

Action Item:

No action item.

Relevant post:



SEC Reopens Investment Adviser and Fund Crypto-Custody Rulemaking

The Securities and Exchange Commission (SEC) has submitted a new custody-rule initiative to the White House Office of Information and Regulatory Affairs for review, which sets up the SEC to introduce the rulemaking in October. The initiative would modernize custody requirements applicable to investment advisers and investment companies, clarify how those requirements apply to crypto assets, and remove burdens associated with provisions the SEC considers outdated.

Why this matters for Zcash:

The rulemaking's principal significance is institutional, but the final framework could determine how registered advisers and investment funds can hold ZEC for clients, which entities may serve as qualified custodians, and what technical safeguards those custodians must maintain.

Action Item:

Please let us know if you have any feedback on the concept. We will share a summary of the notice of proposed rulemaking once it becomes available.

Relevant Post:

BREAKING: 🇺🇸 The SEC is rewriting the rules to make it easier for investment firms to hold crypto for their clients.

This removes one of the biggest barriers stopping Wall Street from offering crypto services at scale.

Once approved, major banks and investment firms will be able to custody crypto without the outdated rules that made it too costly or legally risky.

SEC Chairman Paul Atkins called it part of his push to bring the agency into the modern era.



9:57 AM · Aug 26, 2026 · 51.8K Views