JCOTS
JOINT COMMISSION ON TECHNOLOGY & SCIENCE

Brief: Decentralized Autonomous Organizations

Summary

The concept of a decentralized autonomous organization (DAO) has been around since the 1990s but has only been implemented in the modern sense, since the first DAO on the Ethereum Blockchain in 2016[1]. DAOs rely on blockchains, autonomous smart contracts, and digital assets to support organizations that operate natively on the Internet and have the capability of scaling globally[2]. DAOs attempt to enable communities to achieve their goals while diminishing the need for intermediaries to manage governance and operations[3].

> *A DAO could, at least theoretically, exist in any sphere of activity from the commercial (for example, dealing in crypto-tokens) to the charitable (for example, raising money to help victims of war) or social (for example, managing sports club finances). At one extreme, the label has been applied to a small group of artists involved in creating NFTs. At the other, it is used by a DeFi lending platform with over 100,000 token holders that has tokenised $2.5 billion in real-world assets[4].*

Legal challenges that may arise with DAOS include: the risks of distributed governance, the limitation of liability-or lack thereof, and how interests are represented[5]. As a result, Virginia has been trying to establish a regulatory framework to potentially address these issues.

Primary Policy Questions

- If DOAs should be recognized as a legal entity, what should it be? (e.g. LLC, 501(c)(3), new DAO specific entity)
- Should DAOs be required to have a physical presence in Virginia?
- How are decisions made? (i.e. type of voting)
- How are taxes handled? (e.g. the DAO itself, individuals that receive income from the DAO, token-holders selling tokens on a secondary market)

Policy Landscape - Virginia

2023 General Assembly Session
HB1784 creates a regulatory framework for DAOs and recognizes them as a limited liability company. The bill failed in the Senate Committee on Commerce and Labor.

2025 General Assembly Session
HB1796 creates a regulatory framework for DAOs and recognizes them as a limited liability company. In the Governor's veto of HB1796, he established a work group to conduct a study on DAOs and provide recommendations by Dec. 1, 2025.

---

[1] Santana and Albareda, "Blockchain and the Emergence of Decentralized Autonomous Organizations (DAOs)."
[2] Wright, "The Rise of Decentralized Autonomous Organizations: Opportunities and Challenges."
[3] Gogel et al., "Decentralized Autonomous Organization Toolkit."
[4] Burgoyne, "Decentralised Autonomous Organisations (DAOs): A Scoping Paper."
[5] Wright, "The Rise of Decentralized Autonomous Organizations: Opportunities and Challenges."

Policy Landscape - Other States
The following are states with laws addressing DAOs

[New Hampshire](#): Recognizes DAO's as a separate legal entity "distinct from its developers, participants, administrators and legal representatives". Puts forth a "Decentralized Autonomous Organization Act". There is currently an [RFP](#) for the establishment of a registry.

[Tennessee](#): Recognizes decentralized organizations as LLCs.

[Utah](#): Utah recognized DAOs as a Limited Liability Decentralized Organization ([LLD](#)). This recognition is unique to DAOs.

[Wyoming](#): Recognizes decentralized autonomous organizations as LLCs.

[Vermont](#): Does not mention DOAs specifically but permits any company "utilizes blockchain technology for a material portion of its business activities" to register as a "blockchain-based LLC" (BBLLC).

How this brief was developed
1. Conduct a search using Bill Track 50 (June 2025).
   - Search parameters: "decentralized autonomous organization", passed legislation.
2. Web search on each state listed.
   - Compile the information listed in the brief.
3. General web search on "decentralized autonomous organization".
   - Compare non-peer reviewed reports to output from #1.
   - Add any states missed in #1 and go through process for that state.
4. Literature review on "decentralized autonomous organization"