

SENATE BILL REPORT

SB 6789

As Reported by Senate Committee On:
Ways & Means, March 8, 2010

Title: An act relating to sales and use tax exemptions for certain equipment and infrastructure contained in data centers.

Brief Description: Concerning sales and use tax exemptions for certain equipment and infrastructure contained in data centers.

Sponsors: Senators Prentice, Zarelli, Murray, Hewitt, Holmquist and Parlette; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/02/10, 3/03/10, 3/08/10 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6789 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Hewitt, Hobbs, Honeyford, Keiser, McDermott, Murray, Parlette, Pridemore and Schoesler.

Minority Report: Do not pass.

Signed by Senators Fraser, Vice Chair, Capital Budget Chair; Rockefeller.

Minority Report: That it be referred without recommendation.

Signed by Senator Fairley.

Staff: Dean Carlson (786-7305)

Background: Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3.0 percent depending on the location.

Summary of Bill (Recommended Substitute): A sales and use tax exemption is provided for eligible server equipment and power infrastructure for eligible computer data centers. The exemption expires on April 1, 2018.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

In order to qualify a data center must:

- be located in a rural county;
- have at least 20,000 square feet dedicated to housing servers; and
- have commenced construction between April 1, 2010, and before July 1, 2011.

Commencement of construction means the date that a building permit is issued under the building code for construction of a computer data center. Construction of a data center includes the expansion, renovation, or other improvements made to existing facilities, including leased or rented space.

Eligible server equipment is the original server equipment installed in an eligible data center after April 1, 2010, and replacement server equipment which replaces servers originally exempt under this law and is installed prior to April 1, 2018.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The exemption is limited to four computer data centers and each computer data center must be comprised of at least 100,000 square feet.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on April 1, 2010.

Staff Summary of Public Testimony on Original Bill: PRO: This bill would bring economic development and maintain the state's leadership in technology. This will provide an immediate stimulus to our economy that will go to other states. Growth in central Washington will grow the Puget Sound region as well. This industry employs over 600 people in a year and a half on the construction. We want to put these investments in Washington. One example of a project that could have come to Washington is the Facebook project. If this legislation had been in place it would have been built here. These facilities are stable employers in these areas and greatly increase property taxes in these small communities. Yahoo owns two datacenters in Washington. They were planning on expanding more in Washington, however other areas have become more attractive because of cost. Past data centers have employed over 900 persons just for electricians. Many companies who were considering building in Washington are building in other states. The construction industry has 30-35 percent unemployment and in eastern Washington it is more than 50 percent. We have to address building in Washington as soon as possible. If they don't build we haven't lost a dime. Quincy is the home of three datacenters. We had nearly 1,000 workers building these datacenters generating a lot of income in Quincy. They also continue to employ well-paid people. The city sells its utilities to these datacenters allowing necessary upgrades of facilities. The property tax generated much revenue to the different taxing districts. There is no downside to this bill.

Persons Testifying: PRO: Drew Shirk, Department of Revenue; John Sabey, Sabey Datacenter Properties; David Johnson, Washington State Building Trades; Scott Hazlegrove, Yahoo; Lew McMurrin, Washington Technology Industry Association; Pat Boss, Curt Morris, Port of Quincy.