

HOUSE BILL REPORT

HB 3147

As Reported by House Committee On: Finance

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: Representatives Ormsby, Kessler, Pettigrew, Armstrong, Hinkle, Warnick, Condotta and Kenney; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 2/5/10, 2/9/10 [DPS].

Brief Summary of Substitute Bill

- Provides a retail sales and use tax exemption for server equipment and power infrastructure for computer data centers. The exemption expires on April 1, 2018.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Ericks, Santos and Springer.

Staff: Susan Howson (786-7142).

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 percent depending on the location.

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.

Summary of Substitute Bill:

A retail sales and use tax exemption is provided for server equipment, including labor and services related to installation, for computer data centers. The exemption also applies to power infrastructure, including labor and services related to installation, repair, alteration, and improvement of the power infrastructure.

To qualify for the exemption, a data center must: (1) be located in a rural county; (2) have at least 20,000 square feet dedicated to housing servers; and (3) have a building permit issued for construction, expansion, renovation, or other improvements between April 1, 2010, and June 30, 2011. Server equipment must be installed on or after April 1, 2010, and replacement server equipment originally exempt under this law must be installed prior to April 1, 2018.

A business must establish within six years of receiving the sales and use tax exemption that it has increased employment in the state by a minimum of 35 permanent family wage jobs from the date the eligible computer data center first became operational. All previously exempted sales and use taxes are immediately due and payable if family wage job and benefit requirements are not met.

Businesses claiming this exemption must file an annual report with the Department of Revenue. This exemption expires on April 1, 2018.

Substitute Bill Compared to Original Bill:

A requirement that businesses must increase employment by a minimum of 35 family wage jobs is added. All previously exempted sales and use taxes are immediately due and payable if family wage job and benefit requirements are not met. In addition, businesses claiming this exemption must file an annual report with the Department of Revenue.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) From 2006 to 2008 there was a lot of construction in central Washington on data centers. However, a 2008 Washington State Attorney General opinion regarding the sales tax deferral stopped the activity. This bill would allow those companies to receive the deferral. It will provide an immediate, significant economic stimulus to the area that will

provide jobs and increase the tax base of the local governments. If this bill is not passed, these projects will move to other states with more favorable tax conditions.

(Opposed) None.

Persons Testifying: Representative Ormsby, prime sponsor; Drew Shirk, Department of Revenue; John Sabey, Sabey Datacenters; Dave Johnson, Washington State Building and Construction Trades; Scott Cave, City of Quincy; Ken Stanton, Douglas County; and Terry Brewer, Grant County Economic Development Council.

Persons Signed In To Testify But Not Testifying: None.