
Ways & Means Committee

ESB 5873

Brief Description: Concerning the sales and use tax exemption for qualifying businesses of eligible server equipment.

Sponsors: Senators Prentice, Parlette, Hewitt, Murray, Harper, Holmquist Newbry, Chase, Zarelli, Hobbs, King, Fain, Honeyford, Tom, Kilmer and McAuliffe.

Brief Summary of Engrossed Bill

- Extends the timeline to qualify and claim the data center sales and use tax exemption.
- Removes the 20,000 square foot requirement for lessees of data center server space.
- Makes clarifying changes to definitions.

Hearing Date: 5/20/11

Staff: Jeffrey Mitchell (786-7139).

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 digital products and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property and digital products and some services when used in this state. The state sales and use tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3.0 percent, depending on the location.

In 2010 Engrossed Second Substitute Bill 6789 provided a sales and use tax exemption for eligible server equipment and power infrastructure for eligible computer data centers. The exemption expires on April 1, 2018. In order to qualify, a data center must:

- be located in a rural county;
- be at least 100,000 square feet; and

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- commence construction between April 1, 2010, and July 1, 2011.

Additionally, within six years of construction, a qualifying business must have created 35 family-wage employment positions or three family-wage jobs per 20,000 square feet of space.

A lessee of 20,000 square feet of space within a computer data center is also eligible for the tax exemption.

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, as well as replacement server equipment replacing the servers originally exempt. To qualify for the exemption, replacement servers must be installed and put into regular use prior to April 1, 2018.

Summary of Bill:

The time to qualify for the sales and use tax exemption is extended for eligible data centers, from those that commence construction prior to July 1, 2011, to those that commence construction prior to July 1, 2014.

The time to claim the sales and use tax exemption for eligible replacement server equipment is extended from April 1, 2018, to April 1, 2021.

The requirement that a lessee lease 20,000 square feet of space is eliminated.

Various definitions are clarified.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2011.