
Finance Committee

ESB 6550

Brief Description: Providing a sales and use tax exemption for sales and uses related to eligible server equipment and power infrastructures installed in eligible computer data centers.

Sponsors: Senators Holmquist Newbry, Hobbs, Parlette, Liias, Hewitt, Hatfield, Fain, Conway, McAuliffe and Mullet.

Brief Summary of Engrossed Bill

- Providing a sales and use tax exemption for sales and uses related to eligible.
- Server equipment and power infrastructures installed in eligible computer data centers.

Hearing Date: 3/7/14

Staff: Richelle Geiger (786-7175).

Background:

Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, 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 user acquired the property, digital products, or services, then use taxes apply to the value of property, digital products, or services when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary from 0.5 percent to 3 percent, depending on the location.

Sales and Use Tax Exemption for Eligible Server Equipment.

In 2010 the Legislature enacted Chapter 1, 2010 Laws 1st sp. s (ESB 6789) which provided a sales and use tax exemption for server equipment and power infrastructure for computer data centers. The exemption was to expire on April 1, 2018. 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

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commenced construction between April 1, 2010, and before July 1, 2011. Additionally, within six years of construction, a qualifying business must have created 35 family wage employment positions or three family wage employment positions per 20,000 square feet of space. Construction of a data center includes the expansion, renovation, or other improvements made to existing facilities, including leased or rented space. A family wage employment position is a new full-time position at the qualifying data center requiring forty hours of weekly work, or their equivalent, on a weekly basis and the wage must be greater than one hundred fifty percent of the county's per capita income of the county where the qualified data center is located.

The exemption applied to the original server equipment installed after April 1, 2010, and replacement server equipment which replaces servers originally exempt from tax and installed prior to April 1, 2018.

In 2012 legislation was enacted that extended the time for eligible data centers and qualifying tenants of data centers to qualify for the sales and use tax exemption on server equipment and power infrastructure to those that commenced construction between April 1, 2012, and July 1, 2015. The exemption time is extended for eligible replacement server equipment placed in new data centers and for qualifying tenants until April 1, 2020.

Summary of Bill:

A sales and use tax exemption is provided for eligible server equipment and eligible power infrastructure located in data centers in which construction commences between July 1, 2014, and July 1, 2025.

Buildings that are constructed on or after July 1, 2014 must be a fully enclosed structure with concrete, masonry or weather-resistant exterior walls and must meet state building code.

Eligible server equipment affected by this act is equipment installed in a data center built after July 1, 2014, and includes original server equipment and replacement server equipment installed prior to April 1, 2025. Substations do not qualify as eligible power infrastructure.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on 3/6/2014.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.