

HOUSE BILL REPORT

HB 2673

As Reported by House Committee On:
Technology & Economic Development

Title: An act relating to providing a tax preference for nonrural data centers.

Brief Description: Providing a tax preference for nonrural data centers.

Sponsors: Representatives Springer, Stambaugh, Stokesbary, McDonald and McBride.

Brief History:

Committee Activity:

Technology & Economic Development: 1/24/18, 1/30/18 [DP].

Brief Summary of Bill

- Provides a retail sales and use tax exemption for server equipment and power infrastructure for nonrural data centers.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 13 members: Representatives Morris, Chair; Tarleton, Vice Chair; DeBolt, Assistant Ranking Minority Member; Fey, Harmsworth, Hudgins, Manweller, McDonald, Nealey, Slatter, Steele, Wylie and Young.

Minority Report: Do not pass. Signed by 3 members: Representatives Kloba, Vice Chair; Doglio and Santos.

Staff: Lily Smith (786-7175).

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 depending on the location.

A retail sales and use tax exemption is available for sales of server equipment and power infrastructure to eligible data centers in rural counties. Rural counties are counties with a

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population density of less than 100 persons per square mile or that are smaller than 225 square miles.

Summary of Bill:

A retail sales and use tax exemption is provided for server equipment, including labor and services related to installation, for data centers in nonrural counties. 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) have at least 20,000 square feet dedicated to working servers; (2) be located in a nonrural county; and (3) meet minimum power availability and use requirements. Server equipment must be installed within three years of the issuance of the exemption.

The exemption expires on January 1, 2029.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Data centers are the cornerstone of Washington's vibrant digital economy. Data centers are where the Internet resides, and incentives for data centers recognize the critical nature of Internet infrastructure. Current law restricts incentives to rural areas, which hobbles the overall state in competitiveness. Washington is the only state that restricts incentives geographically, and as a result, the state is losing data centers that foster high-value technology systems, which can also effect the businesses that rely on the data centers.

(Opposed) None.

Persons Testifying: Simon Lee, Benaroya.

Persons Signed In To Testify But Not Testifying: None.