

HOUSE BILL REPORT

ESSB 6789

As Passed House:
March 17, 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: Senate Committee on Ways & Means (originally sponsored by Senators Prentice, Zarelli, Murray, Hewitt, Holmquist and Parlette; by request of Department of Revenue).

Brief History:

Committee Activity:

None.

First Special Session

Floor Activity:

Passed House: 3/17/10, 91-2.

Brief Summary of Engrossed 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.

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.

Summary of Bill:

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.

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. The exemption expires on April 1, 2018.

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 a computer data center 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.

Appropriation: None.

Fiscal Note: Not requested.

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