

# SENATE BILL REPORT

## SB 6307

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As of January 31, 2018

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

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

**Sponsors:** Senators Palumbo and Zeiger.

**Brief History:**

**Committee Activity:** Economic Development & International Trade: 2/01/18.

**Brief Summary of Bill**

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

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & INTERNATIONAL TRADE

**Staff:** Alex Fairfortune (786-7416)

**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 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 owned by a qualifying business or leased by a qualifying tenant. The exemption also applies to power infrastructure, including labor and services related to installation, repair, alteration, and improvement of the power infrastructure.

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To qualify for the exemption, a qualifying business must: (1) be located in a nonrural county; (2) demonstrate that it has 1.5 megawatts of available power; and (3) demonstrate that in the prior 12 months it had contracts utilizing at least 150 kilowatts each. A qualifying tenant must contract for at least 150 kilowatts of electrical capacity for server and computer equipment in a qualifying business.

Eligible computer data centers must have at least 20,000 square feet dedicated to working servers. Server equipment must be installed within three years of the issuance of the exemption.

The exemption is limited to eight data centers and expires on January 1, 2029.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.