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**Finance Committee**

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**HB 3260**

**Brief Description:** Providing partial sales and use tax exemptions for certain computer server equipment.

**Sponsors:** Representatives Grant, Santos, Eddy, Springer, Goodman, Warnick, Hinkle, Armstrong, Orcutt, Kelley, McIntire and Ross; by request of Governor Gregoire.

**Brief Summary of Bill**

- Provides a 50 percent state sales and use tax exemption for replacement computer server equipment.

**Hearing Date:** 2/5/08

**Staff:** Jeff 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 some services. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent depending on the location.

**Summary of Bill:**

An exemption from the state portion of the sales and use tax is provided for replacement server equipment, and for labor and services rendered in respect to installing such replacement server equipment in an eligible computer data center for a qualifying business. A qualifying business claiming the exemption must first pay the sales tax and then may apply for a remittance of 50 percent of the state tax paid. The exemption does not apply to any local sales or use taxes.

The Department of Revenue must remit on a quarterly basis the amount of the exemption to a qualifying business that submitted applications during the previous quarter.

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*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 data center is a facility comprised of one or more buildings constructed or refurbished specifically, and used primarily, to house servers. It must have at least 20,000 square feet of floor space dedicated to housing working servers located in a rural county.

A qualifying business is a business entity that exists for the primary purpose of engaging in commercial activity for a profit. It means a corporation, other than any public entity or an association, limited liability company, partnership, or other legal entity.

Replacement server equipment is server equipment that replaces existing server equipment located at the eligible data center.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2008.