
HOUSE BILL 2655

State of Washington

69th Legislature

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By Representatives Ormsby, Volz, Ybarra, Berg, Springer, and Gregerson

Read first time 01/26/26. Referred to Committee on Finance.

1 AN ACT Relating to providing a retail sales and use tax exemption
2 for the construction and equipping of new data centers located in a
3 county east of the Cascades that borders another state and has a
4 population of at least 500,000; amending RCW 82.08.988; adding a new
5 section to chapter 82.08 RCW; adding a new section to chapter 82.12
6 RCW; creating a new section; and providing expiration dates.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.08
9 RCW to read as follows:

10 (1)(a) An exemption from the tax imposed by RCW 82.08.020 is
11 provided for sales to qualifying businesses and to qualifying tenants
12 of eligible server equipment to be installed, without intervening
13 use, in an eligible computer data center to which a valid exemption
14 certificate applies, and to charges made for labor and services
15 rendered in respect to installing eligible server equipment.

16 (b) This exemption also applies to sales to qualifying businesses
17 and to qualifying tenants of eligible power infrastructure, including
18 labor and services rendered in respect to constructing, installing,
19 repairing, altering, or improving eligible power infrastructure at an
20 eligible computer data center for which an exemption certificate has
21 been issued.

1 (c) No new exemption certificates may be issued on or after July
2 1, 2036.

3 (d) The exemptions provided in this section expire July 1, 2048.

4 (2)(a) In order to obtain an exemption certificate under this
5 section, a qualifying business or a qualifying tenant must submit an
6 application to the department for an exemption certificate. The
7 application must include the information necessary, as required by
8 the department, to determine that a business or tenant qualifies for
9 the exemption under this section. The department must issue exemption
10 certificates to qualifying businesses and qualifying tenants. The
11 department may assign a unique identification number to each
12 exemption certificate issued under this section.

13 (b) A qualifying business or a qualifying tenant claiming the
14 exemption under this section must present the seller with an
15 exemption certificate in a form and manner prescribed by the
16 department. The seller must retain a copy of the certificate for the
17 seller's files.

18 (c) The exemption certificate is effective on the date the
19 application is received by the department, which is deemed to be the
20 date of issuance. Only purchases on or after the date of issuance
21 qualify for the exemption under this section. No tax refunds are
22 authorized for purchases made before the effective date of the
23 exemption certificate.

24 (d) Exemption certificates expire two years after the date of
25 issuance, unless construction has been commenced.

26 (3)(a)(i) Within six years of the date that the department issued
27 an exemption certificate under this section to a qualifying business
28 or a qualifying tenant with respect to an eligible computer data
29 center, the qualifying business or qualifying tenant must establish
30 that net employment assigned to an eligible computer data center has
31 increased by a minimum of:

32 (A) Thirty-five family wage employment positions; or, if lower

33 (B) Three family wage employment positions for each 20,000 square
34 feet of space or less that is newly dedicated to housing working
35 servers at the eligible computer data center. For qualifying tenants,
36 the number of family wage employment positions that must be increased
37 under this subsection (3)(a)(i)(B) is based only on the space
38 occupied by the qualifying tenant in the eligible computer data
39 center.

1 (ii) After the minimum number of family wage employment positions
2 as required under (a)(i) of this subsection (3) is established, a
3 qualifying business or a qualifying tenant must maintain the minimum
4 family wage employment positions required under (a)(i) of this
5 subsection (3) while the exemption certificate is valid.

6 (b) In calculating the net increase in family wage employment
7 positions:

8 (i) The owner of an eligible computer data center, in addition to
9 its own net increase in family wage employment positions, may
10 include:

11 (A) The net increase, since the date of issuance of the
12 qualifying business's exemption certificate, in family wage
13 employment positions employed by qualifying tenants; and

14 (B) The net increase in family wage employment positions
15 described in (c) of this subsection (3).

16 (ii)(A) Qualifying tenants, in addition to their own net increase
17 in family wage employment positions, may include:

18 (I) A portion of the net increase in family wage employment
19 positions employed by the owner; and

20 (II) A portion of the net increase in family wage employment
21 positions described in (c) of this subsection (3).

22 (B) The portion of the net increase in family wage employment
23 positions to be counted under (b)(ii) of this subsection (3) by each
24 qualifying tenant is equal to the net increase in family wage
25 employment positions assigned to an eligible computer data center as
26 described in (b)(ii)(A)(I) and (II) of this subsection (3),
27 multiplied by the percentage of total space within the eligible
28 computer data center occupied by the qualifying tenant. Any
29 combination of qualifying business and qualifying tenant family wage
30 employment positions may meet this requirement.

31 (C) In the instance of an existing data center facility that was
32 ineligible, regardless of the date of commencement of construction,
33 that later obtains an exemption certificate under this section, the
34 data center may count the existing employment positions that are
35 dedicated to the data center toward the new family wage employment
36 position requirements if the employment positions meet the
37 requirements of a family wage employment position, as described in
38 (c)(i)(A) of this subsection (3), other than the requirement that the
39 position did not exist or had not previously been filled as of the
40 date that the department issued an exemption certificate.

1 (c) (i) For purposes of this subsection:

2 (A) (I) "Family wage employment positions" are new permanent
3 employment positions requiring 40 hours of weekly work, or their
4 equivalent, on a full-time basis assigned to an eligible computer
5 data center and receiving a wage equivalent to or greater than 125
6 percent of the per capita personal income of the county in which the
7 qualified project is located as published by the employment security
8 department. The per capita personal income to be used to determine
9 qualification for any year is the amount that was established for the
10 immediate prior year.

11 (II) An employment position may not be counted as a family wage
12 employment position unless the employment position is entitled to
13 health insurance coverage provided by the employer of the employment
14 position.

15 (B) "New permanent employment position" means an employment
16 position that did not exist or that had not previously been filled as
17 of the date that the department issued an exemption certificate to
18 the qualifying business or qualifying tenant of an eligible computer
19 data center, as the case may be, except as provided in (b) (ii) (C) of
20 this subsection (3).

21 (ii) (A) Family wage employment positions include positions filled
22 by employees of the qualifying business and by employees of
23 qualifying tenants.

24 (B) Family wage employment positions also include individuals
25 performing work at an eligible computer data center as an independent
26 contractor hired by the owner of the eligible computer data center or
27 as an employee of an independent contractor hired by the owner of the
28 eligible computer data center, if the work is necessary for the
29 operation of the computer data center, such as security and building
30 maintenance, and provided that all of the applicable requirements in
31 (c) of this subsection (3) are met.

32 (d) (i) For a qualifying business or qualifying tenant that does
33 not meet the requirements of this subsection (3), previously exempted
34 sales and use taxes are immediately due and payable and any exemption
35 certificate issued to that qualifying business or qualifying tenant
36 under this section is canceled, except as described in (d) (iii) of
37 this subsection (3).

38 (ii) The department of labor and industries must, at the request
39 of the department, assist in determining whether the requirements of
40 this subsection (3) have been met.

1 (iii) If the department, with the assistance of the department of
2 labor and industries, finds that a failure to meet the requirements
3 of this subsection (3) is due to circumstances beyond the control of
4 the qualifying business or qualifying tenant including, but not
5 limited to, a declaration of an economic recession, pandemic, or
6 natural disaster affecting data center operations, the department may
7 provide exceptions or extensions to the requirements of this
8 subsection (3).

9 (iv) Any repayment of taxes triggered by the failure of a
10 qualifying business or qualifying tenant to meet the requirements of
11 this subsection (3) must be calculated in proportion to the duration
12 of time for which any applicable requirement was not met.

13 (v) If the department is notified that a qualifying business or
14 qualifying tenant fails to meet the requirements of this subsection
15 (3), the department may require a qualifying business or qualifying
16 tenant to submit records necessary to determine whether the
17 requirements have been met.

18 (4) For exemption certificates issued:

19 (a) Within three years after being placed in service, the
20 qualifying business operating a newly constructed data center must
21 certify to the department that it has attained certification under
22 one or more of the following sustainable design or green building
23 standards:

24 (i) BREEAM for new construction or BREEAM in-use;

25 (ii) Energy star;

26 (iii) Envision;

27 (iv) ISO 50001-energy management;

28 (v) LEED for building design and construction or LEED for
29 operations and maintenance;

30 (vi) Green globes for new construction or green globes for
31 existing buildings;

32 (vii) UL 3223; or

33 (viii) Other reasonable standards approved by the department.

34 (b) The department may require qualifying businesses and
35 qualifying tenants to submit records necessary to verify the
36 requirements under (a) of this subsection have been met.

37 (c) (i) For a qualifying business or qualifying tenant that does
38 not meet the requirements of (a) of this subsection (4), all
39 previously exempted sales and use taxes may be immediately due and
40 payable, any exemption certificate issued to that qualifying business

1 or qualifying tenant under this section is canceled, and an
2 additional 10 percent penalty is assessed, except as described in
3 (c)(ii) of this subsection (4).

4 (ii) If the department finds that a failure to meet the
5 requirements of this subsection (4) is due to circumstances beyond
6 the control of the qualifying business or qualifying tenant
7 including, but not limited to, a declaration of an economic
8 recession, pandemic, or natural disaster affecting data center
9 operations, the department may, at its discretion, provide exceptions
10 or extensions to the requirements of this subsection (4). The
11 department may, at its discretion, coordinate with agencies with
12 relevant expertise to assist in determining whether the requirements
13 have been met.

14 (5) A qualifying business or a qualifying tenant claiming the
15 exemption under this section is encouraged to take direct steps to
16 adopt practices to mitigate negative environmental impacts resulting
17 from expanded use of data centers, including through:

18 (a) Coordinating with the industrial waste coordination program
19 established under RCW 43.31.625 to identify and provide technical
20 assistance in implementing industrial symbiosis projects;

21 (b) To the extent possible, procuring or contracting for power
22 from renewable sources;

23 (c) Adopting practices to improve the energy efficiency of
24 existing data centers, including through upgrading and consolidating
25 technology, managing data center airflow, and adjusting and improving
26 heating, ventilation, and air conditioning systems; and

27 (d) Taking actions to conserve, reuse, and replace water. This
28 includes using water efficient fixtures and practices; treating,
29 infiltrating, and harvesting rainwater; recycling water before
30 discharging; partnering with local water utilities to use discharged
31 water for irrigation and other water conservation purposes; using
32 reclaimed water where possible for data center operations; and
33 supporting water restoration in local watersheds.

34 (6) A qualifying business or a qualifying tenant claiming an
35 exemption under this section or section 2 of this act must complete
36 an annual tax performance report with the department as required
37 under RCW 82.32.534. The report must identify construction firm names
38 and employment levels used for constructing, renovating, or
39 remodeling the data centers.

1 (7) (a) The certificate holder may not at any time assign or
2 transfer a certificate without the prior written consent of the
3 department. The department must allow certificate transfers if the
4 certificate holder meets the following requirements:

5 (i) The certificate assignee or transferee is qualified to do
6 business in the state;

7 (ii) The assignee or transferee acknowledges the transfer of the
8 certificate in writing;

9 (iii) The assignee or transferee agrees to keep and perform all
10 the terms of the certificates; and

11 (iv) An assignment or transfer of the certificate is to an entity
12 that:

13 (A) Controls, is controlled by, or under common control with, the
14 certificate holder;

15 (B) Acquires all or substantially all of the stock or assets of
16 the certificate holder; or

17 (C) Is the resulting entity of a merger or consolidation with the
18 certificate holder.

19 (b) In the event the assignee or transferee acquires eligible
20 server equipment in a qualifying asset sale under (a) (iv) (B) of this
21 subsection, the purchaser shall be deemed to purchase the eligible
22 server equipment pursuant to the transferred certificate.

23 (8) (a) Each emerging large energy use facility must sign a
24 contractual service commitment for at least 10 years with the
25 appropriate investor-owned utility or consumer-owned utility.

26 (b) An emerging large energy use facility may meet their supply
27 demands through purchasing electricity from an entity that is not a
28 utility or by generating its own electricity.

29 (9) The definitions in this subsection apply throughout this
30 section unless the context clearly requires otherwise.

31 (a) "Affiliated" means that one person has a direct or indirect
32 ownership interest of at least 20 percent in another person.

33 (b) "Building" means a fully enclosed structure with a weather
34 resistant exterior wall envelope or concrete or masonry walls
35 designed in accordance with the requirements for structures under
36 chapter 19.27 RCW.

37 (c) "Certificate of occupancy" means the certificate of occupancy
38 issued by a local governing authority for the structure or structures
39 which comprise the newly constructed eligible computer data center.

1 (d) "Consumer-owned utility" means a municipal electric utility
2 formed under Title 35 RCW, a public utility district formed under
3 Title 54 RCW, an irrigation district formed under chapter 87.03 RCW,
4 a cooperative formed under chapter 23.86 RCW, a mutual corporation or
5 association formed under chapter 24.06 RCW, or a port district formed
6 under Title 53 RCW, that is engaged in the business of distributing
7 electricity to at least one retail electric customer in the state.

8 (e)(i) "Computer data center" means a facility comprised of one
9 or more buildings, which may be comprised of multiple businesses,
10 constructed specifically, and used primarily, to house working
11 servers, where the facility has the following characteristics: (A)
12 Uninterruptible power supplies, generator backup power, or both; (B)
13 sophisticated fire suppression and prevention systems; and (C)
14 enhanced physical security, such as: Restricted access to the
15 facility to selected personnel; permanent security guards; video
16 camera surveillance; an electronic system requiring passcodes,
17 keycards, or biometric scans, such as hand scans and retinal or
18 fingerprint recognition; or similar security features.

19 (ii) For a computer data center comprised of multiple buildings,
20 each separate building constructed specifically, and used primarily,
21 to house working servers is considered a computer data center if it
22 has all of the characteristics listed in (d)(i)(A) through (C) of
23 this subsection (9).

24 (iii) A facility comprised of one building or more than one
25 building must have a combined square footage of at least 100,000
26 square feet.

27 (f) "Electronic data storage and data management services"
28 include, but are not limited to: Providing data storage and backup
29 services, providing computer processing power, hosting enterprise
30 software applications, and hosting websites. The term also includes
31 providing services such as email, web browsing and searching, media
32 applications, and other online services, regardless of whether a
33 charge is made for such services.

34 (g)(i) "Eligible computer data center" means a computer data
35 center:

36 (A) Located in a county east of the Cascades that borders another
37 state and has a population of at least 500,000 persons;

38 (B) Having at least 20,000 square feet dedicated to housing
39 working servers; and

1 (C) For which the commencement of construction occurs after June
2 30, 2026, and before July 1, 2035.

3 (ii) For purposes of this section, "commencement of construction"
4 means the date that a building permit is issued under the building
5 code adopted under RCW 19.27.031 for construction of the computer
6 data center. "Commencement of construction" does not include soil
7 testing, site clearing and grading, site preparation, or any other
8 related activities that are initiated before the issuance of a
9 building permit for the construction of the foundation of a computer
10 data center.

11 (h) "Eligible power infrastructure" means all fixtures and
12 equipment owned by a qualifying business or qualifying tenant and
13 necessary for the transformation, distribution, or management of
14 electricity that is required to operate eligible server equipment
15 within an eligible computer data center. The term includes wiring;
16 cogeneration equipment; and associated fixtures and equipment, such
17 as electrical switches, batteries, and distribution, testing, and
18 monitoring equipment. "Eligible power infrastructure" does not
19 include substations or backup generators that use diesel fuel.

20 (i) "Eligible server equipment" means:

21 (i) For a qualifying business whose computer data center
22 qualifies as an eligible computer data center, "eligible server
23 equipment" means the original server equipment installed in a
24 building within an eligible computer data center on or after July 1,
25 2026. Server equipment installed in movable or fixed stand-alone,
26 prefabricated, or modular units, including intermodal shipping
27 containers, is not "directly installed in a building."

28 (ii) For a qualifying tenant who leases space within an eligible
29 computer data center, "eligible server equipment" means the original
30 server equipment installed within the space it leases from an
31 eligible computer data center with an exemption certificate on or
32 after July 1, 2026.

33 (j) "Emerging large energy use facility" means a data center that
34 has a maximum aggregate contract demand of 20 megawatts or more and
35 is primarily engaged in providing a service described under code
36 518210 of the 2022 North American industry classification system.

37 (k) "Investor-owned utility" means a company owned by investors
38 that meets the definition of electrical company in RCW 80.04.010 and
39 is engaged in distributing electricity to one or more retail electric
40 customers in the state.

1 (l) "Qualifying business" means a business entity that exists for
2 the primary purpose of engaging in commercial activity for profit and
3 that is the owner of an eligible computer data center. "Qualifying
4 business" does not include the state or federal government or any of
5 their departments, agencies, and institutions; tribal governments;
6 political subdivisions of this state; or any municipal, quasi-
7 municipal, public, or other corporation created by the state or
8 federal government, tribal government, municipality, or political
9 subdivision of the state.

10 (m) "Qualifying tenant" means a business entity that exists for
11 the primary purpose of engaging in commercial activity for profit and
12 that leases space from a qualifying business within an eligible
13 computer data center. "Qualifying tenant" does not include the state
14 or federal government or any of their departments, agencies, and
15 institutions; tribal governments; political subdivisions of this
16 state; or any municipal, quasi-municipal, public, or other
17 corporation created by the state or federal government, tribal
18 government, municipality, or political subdivision of the state. The
19 term also does not include a lessee of space in an eligible computer
20 data center if the lessee and lessor are affiliated and that space
21 will be used by the lessee to house server equipment that replaces
22 server equipment previously installed and operated in that eligible
23 computer data center by the lessor or another person affiliated with
24 the lessee.

25 (n) "Server equipment" means the computer hardware located in an
26 eligible computer data center and used exclusively to provide
27 electronic data storage and data management services, including cloud
28 services, for internal use by the owner or lessee of the computer
29 data center, for clients of the owner or lessee of the computer data
30 center, or both. "Server equipment" also includes computer software
31 necessary to operate the computer hardware. "Server equipment" does
32 not include personal computers, the racks upon which the server
33 equipment is installed, and computer peripherals such as keyboards,
34 monitors, printers, and mice.

35 (10) This section expires July 1, 2048.

36 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.12
37 RCW to read as follows:

38 (1)(a) An exemption from the tax imposed by RCW 82.12.020 is
39 provided for the use by qualifying businesses or qualifying tenants

1 of eligible server equipment to be installed, without intervening
2 use, in an eligible computer data center for which an exemption
3 certificate under section 1 of this act has been issued, and to the
4 use of labor and services rendered in respect to installing such
5 server equipment.

6 (b) Until July 1, 2048, this exemption also applies to the use by
7 a qualifying business or qualifying tenant of eligible power
8 infrastructure, including labor and services rendered in respect to
9 installing, repairing, altering, or improving such infrastructure at
10 an eligible computer data center for which an exemption certificate
11 under section 1 of this act has been issued.

12 (c) The exemptions provided in this section expire July 1, 2048.

13 (2) A qualifying business or a qualifying tenant is not eligible
14 for the exemption under this section unless the department issued an
15 exemption certificate to the qualifying business or a qualifying
16 tenant for the exemption provided in section 1 of this act.

17 (3) The definitions and requirements in section 1 of this act
18 apply to this section.

19 (4) The exemption provided in subsection (1) of this section does
20 not apply to the use of eligible server equipment and eligible power
21 infrastructure, and the labor and services provided in subsection (1)
22 of this section, if first used by qualifying businesses or qualifying
23 tenants on or after July 1, 2048.

24 (5) This section expires July 1, 2053.

25 **Sec. 3.** RCW 82.08.988 and 2022 c 267 s 7 are each amended to
26 read as follows:

27 From June 9, 2022, in order to obtain the exemption provided in
28 RCW 82.08.986 (~~(e)~~), 82.08.9861, or section 1 of this act, a
29 qualifying business or qualifying tenant must certify to the
30 department that, for new construction work to be performed on the
31 site of the computer data center, the computer data center receiving
32 an exemption under RCW 82.08.986 (~~(e)~~), 82.08.9861, or section 1 of
33 this act will be constructed by the prime contractor and its
34 subcontractors in a way that includes community workforce agreements
35 or project labor agreements and the payment of area standard
36 prevailing wages and apprenticeship utilization requirements,
37 provided the following apply:

38 (1) The owner and the prime contractor and all of its
39 subcontractors regardless of tier have the absolute right to select

1 any qualified and responsible bidder for the award of contracts on a
2 specified project without reference to the existence or nonexistence
3 of any agreements between such bidder and any party to such project
4 labor agreement, and only when such bidder is willing, ready, and
5 able to become a party to, signs a letter of assent, and complies
6 with such agreement or agreements, should it be designated the
7 successful bidder; and

8 (2) It is understood that this is a self-contained, stand-alone
9 agreement, and that by virtue of having become bound to such
10 agreement or agreements, neither the project contractor nor the
11 subcontractors are obligated to sign any other local, area, or
12 national agreement.

13 NEW SECTION. **Sec. 4.** (1) This section is the tax preference
14 performance statement for the tax preferences contained in sections 1
15 and 2, chapter . . ., Laws of 2026 (sections 1 and 2 of this act).
16 This performance statement is only intended to be used for subsequent
17 evaluation of the tax preferences. It is not intended to create a
18 private right of action by any party or be used to determine
19 eligibility for preferential tax treatment.

20 (2) The legislature categorizes these sales and use tax
21 exemptions on eligible server equipment and eligible power
22 infrastructure equipment at eligible computer data centers as ones
23 intended to: Induce certain designated behavior by taxpayers, improve
24 industry competitiveness, create or retain jobs, and reduce
25 structural inefficiencies in the tax structure, as indicated in RCW
26 82.32.808(2) (a), (b), (c), and (d).

27 (3) It is the legislature's specific public policy objective to
28 improve industry competitiveness and to increase, create, or retain
29 jobs in computer data centers in counties located east of the
30 Cascades and bordering another state with a population over 500,000,
31 as determined by the April 1, 2025, office of financial management
32 population estimates, thereby increasing family wage jobs.

33 (4) The legislature intends to extend the expiration date of the
34 tax preference. The joint legislative audit and review committee
35 shall conduct a review and determine if the tax preference is (a)
36 generating capital investment in new computer data centers, (b)
37 generating state and local tax collections from data center
38 investment and operations, and (c) generating or maintaining
39 construction and trade jobs in the state.

1 (5) In order to obtain the data necessary to perform the review
2 in subsection (4) of this section, the joint legislative audit and
3 review committee may refer to any available data source.

--- **END** ---