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**SUBSTITUTE SENATE BILL 6231**

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**State of Washington**

**69th Legislature**

**2026 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Frame and Hasegawa; by request of Office of Financial Management)

READ FIRST TIME 02/23/26.

1 AN ACT Relating to expiring tax exemptions for data centers;  
2 amending RCW 82.08.986, 82.12.986, 82.08.9861, and 82.12.9861;  
3 creating a new section; and providing expiration dates.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that, according to  
6 the most recent tax exemption study published by the department of  
7 revenue, there are currently 786 tax exemptions for the major state  
8 and local tax sources in Washington. A number of these tax exemptions  
9 have been unchanged in law for a long time and exist as the result of  
10 private interests securing preferential tax treatment. Furthermore,  
11 the legislature finds that the state's tax code must be periodically  
12 reviewed and updated to ensure that tax policy reflects our modern  
13 economy and provides adequate revenue to fund necessary and essential  
14 services to support the well-being of Washingtonians. Thus, it is the  
15 intent of the legislature to remove a tax preference in order to  
16 increase revenue to the state's general fund to maintain essential  
17 state services.

18 **Sec. 2.** RCW 82.08.986 and 2025 c 411 s 4 are each amended to  
19 read as follows:

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

7 (b) This exemption also applies to sales to qualifying businesses  
8 and to qualifying tenants of eligible power infrastructure, including  
9 labor and services rendered in respect to constructing, installing,  
10 repairing, altering, or improving eligible power infrastructure at an  
11 eligible computer data center for which an exemption certificate has  
12 been issued.

13 (c) No new exemption certificates may be issued on or after July  
14 1, (~~2036~~) 2026.

15 (d) The exemptions provided in this section expire July 1,  
16 (~~2048~~) 2026.

17 (e) Each calendar year, the department may issue no more than six  
18 certificates for data centers which qualify through refurbishment.  
19 Certificates are available for refurbished data centers on a first-  
20 in-time basis based on the date the application required under this  
21 section is received by the department. Each qualifying business may  
22 apply for only one certificate for a refurbished data center each  
23 calendar year.

24 (2)(a) In order to obtain an exemption certificate under this  
25 section, a qualifying business or a qualifying tenant must submit an  
26 application to the department for an exemption certificate. The  
27 application must include the information necessary, as required by  
28 the department, to determine that a business or tenant qualifies for  
29 the exemption under this section. The department must issue exemption  
30 certificates to qualifying businesses and qualifying tenants. The  
31 department may assign a unique identification number to each  
32 exemption certificate issued under this section.

33 (b) A qualifying business or a qualifying tenant claiming the  
34 exemption under this section must present the seller with an  
35 exemption certificate in a form and manner prescribed by the  
36 department. The seller must retain a copy of the certificate for the  
37 seller's files.

38 (c) With respect to computer data centers for which the  
39 commencement of construction occurs after July 1, 2015, but before  
40 July 1, 2019, the exemption provided in this section is limited to no

1 more than eight computer data centers, with total eligible data  
2 centers provided under this section limited to 12 from July 1, 2015,  
3 through June 9, 2022. Tenants of qualified data centers do not  
4 constitute additional data centers under the limit. The exemption is  
5 available on a first-in-time basis based on the date the application  
6 required under this section is received by the department.

7 (d) The exemption certificate is effective on the date the  
8 application is received by the department, which is deemed to be the  
9 date of issuance. Only purchases on or after the date of issuance  
10 qualify for the exemption under this section. No tax refunds are  
11 authorized for purchases made before the effective date of the  
12 exemption certificate.

13 (e) Exemption certificates expire two years after the date of  
14 issuance, unless construction has been commenced.

15 (3) (a) (i) Within six years of the date that the department issued  
16 an exemption certificate under this section to a qualifying business  
17 or a qualifying tenant with respect to an eligible computer data  
18 center, the qualifying business or qualifying tenant must establish  
19 that net employment assigned to an eligible computer data center has  
20 increased by a minimum of:

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

22 (B) Three family wage employment positions for each 20,000 square  
23 feet of space or less that is newly dedicated to housing working  
24 servers at the eligible computer data center. For qualifying tenants,  
25 the number of family wage employment positions that must be increased  
26 under this subsection (3) (a) (i) (B) is based only on the space  
27 occupied by the qualifying tenant in the eligible computer data  
28 center.

29 (ii) After the minimum number of family wage employment positions  
30 as required under (a) (i) of this subsection (3) is established, a  
31 qualifying business or a qualifying tenant must maintain the minimum  
32 family wage employment positions required under (a) (i) of this  
33 subsection (3) while the exemption certificate is valid.

34 (b) In calculating the net increase in family wage employment  
35 positions:

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

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

4 (B) The net increase in family wage employment positions  
5 described in (c) (ii) (B) of this subsection (3).

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

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

10 (II) A portion of the net increase in family wage employment  
11 positions described in (c) (ii) (B) of this subsection (3).

12 (B) The portion of the net increase in family wage employment  
13 positions to be counted under this subsection (3) (b) (ii) by each  
14 qualifying tenant is equal to the net increase in family wage  
15 employment positions assigned to an eligible computer data center as  
16 described in (b) (ii) (A) (I) and (II) of this subsection (3),  
17 multiplied by the percentage of total space within the eligible  
18 computer data center occupied by the qualifying tenant. Any  
19 combination of qualifying business and qualifying tenant family wage  
20 employment positions may meet this requirement.

21 (C) (I) In the instance of an existing data center facility that  
22 was ineligible, regardless of the date of commencement of  
23 construction, that later obtains an exemption certificate under this  
24 section, the data center may count the existing employment positions  
25 that are dedicated to the data center toward the new family wage  
26 employment position requirements if the employment positions meet the  
27 requirements of a family wage employment position, as described in  
28 (c) (i) (B) and (C) of this subsection (3), other than the requirement  
29 that the position did not exist or had not previously been filled as  
30 of the date that the department issued an exemption certificate.

31 (II) In the instance of the refurbishment of an existing data  
32 center that previously qualified under the data center program, the  
33 data center may count the existing employment positions dedicated to  
34 the data center toward the new family wage employment position  
35 requirements if the employment positions meet the requirements of a  
36 family wage employment position, as described in (c) (i) (B) and (C) of  
37 this subsection (3), other than the requirement that the position did  
38 not exist or had not previously been filled as of the date that the  
39 department issued an exemption certificate.

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

1 (A) For exemption certificates issued before June 9, 2022, family  
2 wage employment positions are new permanent employment positions  
3 requiring 40 hours of weekly work, or their equivalent, on a full-  
4 time basis assigned to an eligible computer data center and receiving  
5 a wage equivalent to or greater than 150 percent of the per capita  
6 personal income of the county in which the qualified project is  
7 located as published by the employment security department. The per  
8 capita personal income to be used to determine qualification for any  
9 year is the amount that was established for the immediate prior year.

10 (B) For exemption certificates issued on or after June 9, 2022,  
11 family wage employment positions are new permanent employment  
12 positions requiring 40 hours of weekly work, or their equivalent, on  
13 a full-time basis assigned to an eligible computer data center and  
14 receiving a wage equivalent to or greater than 125 percent of the per  
15 capita personal income of the county in which the qualified project  
16 is located as published by the employment security department. The  
17 per capita personal income to be used to determine qualification for  
18 any year is the amount that was established for the immediate prior  
19 year.

20 (C) An employment position may not be counted as a family wage  
21 employment position unless the employment position is entitled to  
22 health insurance coverage provided by the employer of the employment  
23 position.

24 (D) "New permanent employment position" means an employment  
25 position that did not exist or that had not previously been filled as  
26 of the date that the department issued an exemption certificate to  
27 the qualifying business or qualifying tenant of an eligible computer  
28 data center, as the case may be, except as provided in (b)(ii)(C) of  
29 this subsection (3).

30 (ii)(A) Family wage employment positions include positions filled  
31 by employees of the qualifying business and by employees of  
32 qualifying tenants.

33 (B) Family wage employment positions also include individuals  
34 performing work at an eligible computer data center as an independent  
35 contractor hired by the owner of the eligible computer data center or  
36 as an employee of an independent contractor hired by the owner of the  
37 eligible computer data center, if the work is necessary for the  
38 operation of the computer data center, such as security and building  
39 maintenance, and provided that all of the applicable requirements in  
40 (c)(i) of this subsection (3) are met.

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

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

10 (iii) If the department, with the assistance of the department of  
11 labor and industries, finds that a failure to meet the requirements  
12 of this subsection (3) is due to circumstances beyond the control of  
13 the qualifying business or qualifying tenant including, but not  
14 limited to, a declaration of an economic recession, pandemic, or  
15 natural disaster affecting data center operations, the department may  
16 provide exceptions or extensions to the requirements of this  
17 subsection (3).

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

22 (v) If the department is notified that a qualifying business or  
23 qualifying tenant fails to meet the requirements of this subsection  
24 (3), the department may require a qualifying business or qualifying  
25 tenant to submit records necessary to determine whether the  
26 requirements have been met.

27 (4) For exemption certificates issued on or after June 9, 2022:

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

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

34 (ii) Energy star;

35 (iii) Envision;

36 (iv) ISO 50001-energy management;

37 (v) LEED for building design and construction or LEED for  
38 operations and maintenance;

39 (vi) Green globes for new construction or green globes for  
40 existing buildings;

1 (vii) UL 3223; or

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

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

6 (c)(i) For a qualifying business or qualifying tenant that does  
7 not meet the requirements of (a) of this subsection (4), all  
8 previously exempted sales and use taxes may be immediately due and  
9 payable, any exemption certificate issued to that qualifying business  
10 or qualifying tenant under this section is canceled, and an  
11 additional 10 percent penalty is assessed, except as described in  
12 (c)(ii) of this subsection (4).

13 (ii) If the department finds that a failure to meet the  
14 requirements of this subsection (4) is due to circumstances beyond  
15 the control of the qualifying business or qualifying tenant  
16 including, but not limited to, a declaration of an economic  
17 recession, pandemic, or natural disaster affecting data center  
18 operations, the department may, at its discretion, provide exceptions  
19 or extensions to the requirements of this subsection (4). The  
20 department may, at its discretion, coordinate with agencies with  
21 relevant expertise to assist in determining whether the requirements  
22 have been met.

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

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

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

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

36 (d) Taking actions to conserve, reuse, and replace water. This  
37 includes using water efficient fixtures and practices; treating,  
38 infiltrating, and harvesting rainwater; recycling water before  
39 discharging; partnering with local water utilities to use discharged  
40 water for irrigation and other water conservation purposes; using

1 reclaimed water where possible for data center operations; and  
2 supporting water restoration in local watersheds.

3 (6) A qualifying business or a qualifying tenant claiming an  
4 exemption under this section or RCW 82.12.986 must complete an annual  
5 tax performance report with the department as required under RCW  
6 82.32.534. The report must identify construction firm names and  
7 employment levels used for constructing, renovating, refurbishing, or  
8 remodeling the data centers.

9 (7) (a) The certificate holder may not at any time assign or  
10 transfer a certificate without the prior written consent of the  
11 department. The department must allow certificate transfers if the  
12 certificate holder meets the following requirements:

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

15 (ii) The assignee or transferee acknowledges the transfer of the  
16 certificate in writing;

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

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

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

23 (B) Acquires all or substantially all of the stock or assets of  
24 the certificate holder; or

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

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

31 (8) The definitions in this subsection apply throughout this  
32 section unless the context clearly requires otherwise.

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

35 (b) "Building" means a fully enclosed structure with a weather  
36 resistant exterior wall envelope or concrete or masonry walls  
37 designed in accordance with the requirements for structures under  
38 chapter 19.27 RCW. This definition of "building" only applies to  
39 computer data centers for which commencement of construction occurs  
40 on or after July 1, 2015.

1 (c) "Certificate of occupancy" means:

2 (i) For a newly constructed eligible computer data center, the  
3 certificate of occupancy issued by a local governing authority for  
4 the structure or structures which comprise the eligible computer data  
5 center; or

6 (ii) For renovations of an eligible computer data center, the  
7 certificate of occupancy issued by a local governing authority for  
8 the renovated structure or structures that comprise the eligible  
9 computer data center.

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

21 (ii) For a computer data center comprised of multiple buildings,  
22 each separate building constructed or refurbished specifically, and  
23 used primarily, to house working servers is considered a computer  
24 data center if it has all of the characteristics listed in (d)(i)(A)  
25 through (C) of this subsection (8).

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

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

36 (f)(i) "Eligible computer data center" means a computer data  
37 center:

38 (A) Located in a rural county as defined in RCW 82.14.370 at the  
39 time an application for an exemption under this section is received;

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

3 (C) For which the commencement of construction occurs:

4 (I) After March 31, 2010, and before July 1, 2011;

5 (II) After March 31, 2012, and before July 1, 2015; or

6 (III) After June 30, 2015, and before July 1, (~~2035~~) 2026.

7 (ii) For purposes of this section, "commencement of construction"  
8 means the date that a building permit is issued under the building  
9 code adopted under RCW 19.27.031 for construction of the computer  
10 data center. The construction of a computer data center includes the  
11 expansion, renovation, or refurbishment of existing facilities  
12 regardless of whether the existing facility was previously ineligible  
13 and regardless of whether commencement of construction of the  
14 existing facility occurred outside of the dates listed in  
15 (f)(i)(C)(I) through (III) of this subsection, including leased or  
16 rented space. "Commencement of construction" does not include soil  
17 testing, site clearing and grading, site preparation, or any other  
18 related activities that are initiated before the issuance of a  
19 building permit for the construction of the foundation of a computer  
20 data center. If no building permit is required for renovation or  
21 refurbishment, then the date that renovation or refurbishment begins  
22 is the "commencement of construction."

23 (g) "Eligible power infrastructure" means all fixtures and  
24 equipment owned by a qualifying business or qualifying tenant and  
25 necessary for the transformation, distribution, or management of  
26 electricity that is required to operate eligible server equipment  
27 within an eligible computer data center. The term includes  
28 generators; wiring; cogeneration equipment; and associated fixtures  
29 and equipment, such as electrical switches, batteries, and  
30 distribution, testing, and monitoring equipment. The term does not  
31 include substations.

32 (h) "Eligible server equipment" means:

33 (i) For a qualifying business whose computer data center  
34 qualifies as an eligible computer data center under (f)(i)(C)(I) of  
35 this subsection (8), the original server equipment installed in an  
36 eligible computer data center on or after April 1, 2010, and before  
37 January 1, 2026, and replacement server equipment. For purposes of  
38 this subsection (8)(h)(i), "replacement server equipment" means  
39 server equipment that:

1 (A) Replaces existing server equipment, if the sale or use of the  
2 server equipment to be replaced qualified for an exemption under this  
3 section or RCW 82.12.986; and

4 (B) Is installed and put into regular use before April 1, 2018.

5 (ii) For a qualifying business whose computer data center  
6 qualifies as an eligible computer data center under (f)(i)(C)(II) of  
7 this subsection (8), "eligible server equipment" means the original  
8 server equipment installed in an eligible computer data center on or  
9 after April 1, 2012, and before January 1, 2026, and replacement  
10 server equipment. For purposes of this subsection (8)(h)(ii),  
11 "replacement server equipment" means server equipment that:

12 (A) Replaces existing server equipment, if the sale or use of the  
13 server equipment to be replaced qualified for an exemption under this  
14 section or RCW 82.12.986; and

15 (B) Is installed and put into regular use before April 1, 2024.

16 (iii) For a qualifying business whose computer data center  
17 qualifies as an eligible computer data center under (f)(i)(C)(III) of  
18 this subsection (8), "eligible server equipment" means the original  
19 server equipment installed in a building within an eligible computer  
20 data center on or after July 1, 2015, and replacement server  
21 equipment. Server equipment installed in movable or fixed stand-  
22 alone, prefabricated, or modular units, including intermodal shipping  
23 containers, is not "directly installed in a building." For purposes  
24 of this subsection (8)(h)(iii), "replacement server equipment" means  
25 server equipment that:

26 (A)(I) Replaces existing server equipment, if the sale or use of  
27 the server equipment to be replaced qualified for an exemption under  
28 this section or RCW 82.12.986; or

29 (II) Replaces existing server equipment in a computer data center  
30 that meets the following requirements: Was ineligible before June 9,  
31 2022, for the exemptions provided under this section and RCW  
32 82.12.986; has been refurbished; and to which a valid exemption  
33 certificate applies; and

34 (B) Is installed and put into regular use no later than 12 years  
35 after the date of the certificate of occupancy or completion of  
36 refurbishment of the computer data center.

37 (iv) For a qualifying tenant who leases space within an eligible  
38 computer data center, "eligible server equipment" means the original  
39 server equipment installed within the space it leases from an  
40 eligible computer data center with an exemption certificate on or

1 after April 1, 2010, and replacement server equipment. For purposes  
2 of this subsection (8)(h)(iv), "replacement server equipment" means  
3 server equipment that:

4 (A)(I) Replaces existing server equipment, if the sale or use of  
5 the server equipment to be replaced qualified for an exemption under  
6 this section or RCW 82.12.986; or

7 (II) Replaces existing server equipment in a computer data center  
8 that meets the following requirements: Was ineligible before June 9,  
9 2022, for the exemptions provided under this section and RCW  
10 82.12.986; has been refurbished; and to which a valid exemption  
11 certificate applies; and

12 (B) Is installed and put into regular use no later than 12 years  
13 after the date of the certificate of occupancy or completion of  
14 refurbishment of the computer data center.

15 (i) "Qualifying business" means a business entity that exists for  
16 the primary purpose of engaging in commercial activity for profit and  
17 that is the owner of an eligible computer data center. The term does  
18 not include the state or federal government or any of their  
19 departments, agencies, and institutions; tribal governments;  
20 political subdivisions of this state; or any municipal, quasi-  
21 municipal, public, or other corporation created by the state or  
22 federal government, tribal government, municipality, or political  
23 subdivision of the state.

24 (j) "Qualifying tenant" means a business entity that exists for  
25 the primary purpose of engaging in commercial activity for profit and  
26 that leases space from a qualifying business within an eligible  
27 computer data center. The term does not include the state or federal  
28 government or any of their departments, agencies, and institutions;  
29 tribal governments; political subdivisions of this state; or any  
30 municipal, quasi-municipal, public, or other corporation created by  
31 the state or federal government, tribal government, municipality, or  
32 political subdivision of the state. The term also does not include a  
33 lessee of space in an eligible computer data center under  
34 (f)(i)(C)(I) of this subsection (8), if the lessee and lessor are  
35 affiliated and:

36 (i) That space will be used by the lessee to house server  
37 equipment that replaces server equipment previously installed and  
38 operated in that eligible computer data center by the lessor or  
39 another person affiliated with the lessee; or

1 (ii) Prior to May 2, 2012, the primary use of the server  
2 equipment installed in that eligible computer data center was to  
3 provide electronic data storage and data management services for the  
4 business purposes of either the lessor, persons affiliated with the  
5 lessor, or both.

6 (k)(i) "Refurbished" or "refurbishment" means a substantial  
7 improvement to an eligible computer data center to update or  
8 modernize servers, server space, ventilation, or power infrastructure  
9 in an eligible computer data center.

10 (ii) For a qualifying computer data center to be considered  
11 refurbished, the qualifying business must certify, in a form and  
12 manner prescribed by the department, that the refurbishment of an  
13 eligible computer data center is complete. The refurbishment is  
14 considered complete on the date that the improved portion of the  
15 computer data center is operationally complete and able to be used  
16 for its intended purpose.

17 (l) "Server equipment" means the computer hardware located in an  
18 eligible computer data center and used exclusively to provide  
19 electronic data storage and data management services, including cloud  
20 services, for internal use by the owner or lessee of the computer  
21 data center, for clients of the owner or lessee of the computer data  
22 center, or both. "Server equipment" also includes computer software  
23 necessary to operate the computer hardware. "Server equipment" does  
24 not include personal computers, the racks upon which the server  
25 equipment is installed, and computer peripherals such as keyboards,  
26 monitors, printers, and mice.

27 (9) This section expires July 1, (~~2048~~) 2026.

28 **Sec. 3.** RCW 82.12.986 and 2022 c 267 s 4 are each amended to  
29 read as follows:

30 (1)(a) An exemption from the tax imposed by RCW 82.12.020 is  
31 provided for the use by qualifying businesses or qualifying tenants  
32 of eligible server equipment to be installed, without intervening  
33 use, in an eligible computer data center for which an exemption  
34 certificate under RCW 82.08.986 has been issued, and to the use of  
35 labor and services rendered in respect to installing such server  
36 equipment.

37 (b) Until July 1, (~~2048~~) 2026, this exemption also applies to  
38 the use by a qualifying business or qualifying tenant of eligible  
39 power infrastructure, including labor and services rendered in

1 respect to installing, repairing, altering, or improving such  
2 infrastructure at an eligible computer data center for which an  
3 exemption certificate under RCW 82.08.986 has been issued.

4 (c) The exemptions provided in this section expire July 1,  
5 (~~2048~~) 2026.

6 (2) A qualifying business or a qualifying tenant is not eligible  
7 for the exemption under this section unless the department issued an  
8 exemption certificate to the qualifying business or a qualifying  
9 tenant for the exemption provided in RCW 82.08.986.

10 (3) The definitions and requirements in RCW 82.08.986 apply to  
11 this section.

12 (4) The exemption provided in subsection (1) of this section does  
13 not apply to the use of eligible server equipment and eligible power  
14 infrastructure, and the labor and services provided in subsection (1)  
15 of this section, if first used by qualifying businesses or qualifying  
16 tenants on or after July 1, (~~2048~~) 2026.

17 (5) This section expires July 1, (~~2053~~) 2031.

18 **Sec. 4.** RCW 82.08.9861 and 2022 c 267 s 5 are each amended to  
19 read as follows:

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

26 (b) The exemption also applies to sales to qualifying businesses  
27 and to qualifying tenants of eligible power infrastructure, including  
28 labor, material, equipment, and services rendered in respect to  
29 constructing, installing, repairing, altering, or improving eligible  
30 power infrastructure at an eligible computer data center for which an  
31 exemption certificate has been issued.

32 (c) No new exemption certificates may be issued on or after July  
33 1, (~~2028~~) 2026.

34 (d) The exemptions provided in this section expire July 1,  
35 (~~2038~~) 2026.

36 (2)(a)(i) In order to obtain an exemption, a qualifying business  
37 must be located in a county with a population over 800,000, as  
38 determined by the April 1, 2021, office of financial management  
39 population estimates and must submit an application to the department

1 for an exemption certificate. The application must include the  
2 information necessary, as required by the department, to determine  
3 that a business or tenant qualifies for the exemption under this  
4 section. The department must issue exemption certificates to  
5 qualifying businesses and qualifying tenants. The department may  
6 assign a unique identification number to each exemption certificate  
7 issued under this section.

8 (ii) For the purposes of demonstrating that the requirements of  
9 this subsection (2)(a) are met, a qualifying business must submit  
10 records of available power for customers at the time of the  
11 application for the exemption under this section. The qualifying  
12 business must demonstrate that it has a minimum of 1.5 megawatts of  
13 available power. The qualifying business must provide requests for  
14 proposals, pricing offered, and marketing materials associated with  
15 the requirements of this subsection, as required by the department,  
16 as supporting documentation that the requirements of this subsection  
17 (2)(a) have been met.

18 (b) A qualifying business or a qualifying tenant claiming the  
19 exemption under this section must present the seller with an  
20 exemption certificate in a form and manner prescribed by the  
21 department. The seller must retain a copy of the certificate for the  
22 seller's files.

23 (c)(i) The exemptions provided in this section are limited to  
24 qualifying businesses or tenants, and the department is authorized to  
25 approve:

26 (A) Six applications to obtain the exemptions for qualifying  
27 businesses in the first calendar year of the exemption; and

28 (B) Six applications to obtain the exemptions for qualifying  
29 businesses in each year, calendar year three through calendar year  
30 six, of the exemption.

31 (ii) The exemption is available on a first-in-time basis based on  
32 the date the application required under this section is received by  
33 the department.

34 (d) The exemption certificate is effective on the date the  
35 application is received by the department, which is deemed to be the  
36 date of issuance. Only purchases on or after the date of issuance  
37 qualify for the exemption under this section. No tax refunds are  
38 authorized for purchases made before the effective date of the  
39 exemption certificate.

1 (e) Exemption certificates expire two years after the date of  
2 issuance, unless construction has been commenced.

3 (f) A qualifying tenant must contract for a minimum electrical  
4 capacity of 150 kilowatts for server and computer equipment in a  
5 qualifying business. Tenants that previously qualified under RCW  
6 82.08.986 or 82.12.986 must reapply if they intend to expand into a  
7 qualifying business.

8 (3) (a) (i) Within six years of the date that the department issued  
9 an exemption certificate under this section to a qualifying business  
10 or a qualifying tenant with respect to an eligible computer data  
11 center, the qualifying business or qualifying tenant must establish  
12 that net employment assigned to an eligible computer data center has  
13 increased by a minimum of three family wage employment positions for  
14 each incremental increase of 20,000 square feet of space that is  
15 newly dedicated to housing working servers at the eligible computer  
16 data center. For qualifying tenants, the number of family wage  
17 employment positions that must be increased under this subsection  
18 (3) (a) (i) is based only on the space occupied by the qualifying  
19 tenant in the eligible computer data center.

20 (ii) After the minimum number of family wage employment positions  
21 as required under (a) (i) of this subsection (3) is established, a  
22 qualifying business or a qualifying tenant must maintain the minimum  
23 family wage employment positions required under (a) (i) of this  
24 subsection (3) while the exemption certificate is valid.

25 (b) In calculating the number of family wage employment  
26 positions:

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

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

33 (B) The net increase in family wage employment positions  
34 described in (c) (ii) (B) of this subsection (3).

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

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

39 (II) A portion of the net increase in family wage employment  
40 positions described in (c) (ii) (B) of this subsection (3).

1 (B) The portion of the net increase in family wage employment  
2 positions to be counted under this subsection (3)(b)(ii) by each  
3 qualifying tenant is equal to the net increase in family wage  
4 employment positions assigned to an eligible computer data center as  
5 described in (b)(ii)(A)(I) and (II) of this subsection (3),  
6 multiplied by the percentage of total space within the eligible  
7 computer data center occupied by the qualifying tenant. Any  
8 combination of qualifying business and qualifying tenant family wage  
9 employment positions may meet this requirement.

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

11 (A) For exemption certificates issued on or after June 9, 2022,  
12 family wage employment positions are new permanent employment  
13 positions requiring 40 hours of weekly work, or their equivalent, on  
14 a full-time basis assigned to an eligible computer data center and  
15 receiving a wage equivalent to or greater than 125 percent of the per  
16 capita personal income of the county in which the qualified project  
17 is located as published by the employment security department. The  
18 per capita personal income to be used to determine qualification for  
19 any year is the amount that was established for the immediate prior  
20 year.

21 (B) An employment position may not be counted as a family wage  
22 employment position unless the employment position is entitled to  
23 health insurance coverage provided by the employer of the employment  
24 position.

25 (C) "New permanent employment position" means an employment  
26 position that did not exist or that had not previously been filled as  
27 of the date that the department issued an exemption certificate to  
28 the qualifying business or qualifying tenant of an eligible computer  
29 data center, as the case may be.

30 (ii)(A) Family wage employment positions include positions filled  
31 by employees of the qualifying business and by employees of  
32 qualifying tenants.

33 (B) Family wage employment positions also include individuals  
34 performing work at an eligible computer data center as an independent  
35 contractor hired by the owner of the eligible computer data center or  
36 as an employee of an independent contractor hired by the owner of the  
37 eligible computer data center, if the work is necessary for the  
38 operation of the computer data center, such as security and building  
39 maintenance, and provided that all of the requirements in (c)(i) of  
40 this subsection (3) are met.

1 (d)(i) For a qualifying business or qualifying tenant that does  
2 not meet the requirements of this subsection (3), all previously  
3 exempted sales and use taxes immediately due and payable, and any  
4 exemption certificate issued to that qualifying business or  
5 qualifying tenant under this section is canceled, except as described  
6 in (d)(iii) of this subsection (3).

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

10 (iii) If the department, with the assistance of the department of  
11 labor and industries, finds that a failure to meet the requirements  
12 of this subsection (3) is due to circumstances beyond the control of  
13 the qualifying business or qualifying tenant including, but not  
14 limited to, a declaration of an economic recession, pandemic, or  
15 natural disaster affecting data center operations, the department may  
16 provide exceptions or extensions to the requirements of this  
17 subsection (3).

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

22 (v) If the department is notified that a qualifying business or  
23 qualifying tenant fails to meet the requirements of this subsection  
24 (3), the department may require a qualifying business or qualifying  
25 tenant to submit records necessary to determine whether the  
26 requirements have been met.

27 (4) For exemption certificates issued on or after June 9, 2022:

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

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

34 (ii) Energy star;

35 (iii) Envision;

36 (iv) ISO 50001-energy management;

37 (v) LEED for building design and construction or LEED for  
38 operations and maintenance;

39 (vi) Green globes for new construction or green globes for  
40 existing buildings;

1 (vii) UL 3223; or

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

3 (b) The department may require qualifying businesses and  
4 qualifying tenants to submit records necessary to verify the  
5 requirements under this subsection (4) have been met.

6 (c) (i) For a qualifying business or qualifying tenant that does  
7 not meet the requirements of this subsection (4), all previously  
8 exempted sales and use taxes are immediately due and payable, any  
9 exemption certificate issued to that qualifying business or  
10 qualifying tenant under this section is canceled, and an additional  
11 10 percent penalty is assessed, except as described in (c) (ii) of  
12 this subsection (4).

13 (ii) If the department finds that a failure to meet the  
14 requirements of this subsection (4) is due to circumstances beyond  
15 the control of the qualifying business or qualifying tenant  
16 including, but not limited to, a declaration of an economic  
17 recession, pandemic, or natural disaster affecting data center  
18 operations, the department may, at its discretion, provide exceptions  
19 or extensions to the requirements of this subsection (4). The  
20 department may, at its discretion, coordinate with agencies with  
21 relevant expertise to assist in determining whether the requirements  
22 of this subsection (4) have been met.

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

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

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

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

36 (d) Taking actions to conserve, reuse, and replace water. This  
37 includes using water efficient fixtures and practices; treating,  
38 infiltrating, and harvesting rainwater; recycling water before  
39 discharging; partnering with local water utilities to use discharged  
40 water for irrigation and other water conservation purposes; using

1 reclaimed water where possible for data center operations; and  
2 supporting water restoration in local watersheds.

3 (6) Qualifying businesses and tenants must claim an exemption  
4 under this section in the current tax year when the taxes would have  
5 been due unless an extension is filed with the department.

6 (7) A qualifying business or a qualifying tenant claiming an  
7 exemption under this section must complete an annual tax performance  
8 report as required in RCW 82.32.534. The report must identify  
9 construction firm names and employment levels used for constructing,  
10 renovating, refurbishing, or remodeling the data centers.

11 (8)(a) The certificate holder may not at any time assign or  
12 transfer a certificate without the prior written consent of the  
13 department. The department must allow certificate transfers if the  
14 certificate holder meets the following requirements:

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

17 (ii) The assignee or transferee acknowledges the transfer of the  
18 certificate in writing;

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

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

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

25 (B) Acquires all or substantially all of the stock or assets of  
26 the certificate holder; or

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

29 (b) Information submitted on the tax performance report is not  
30 subject to the confidentiality provisions of RCW 82.32.330 and may be  
31 disclosed to the public upon request, except as provided otherwise in  
32 RCW 82.32.330.

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

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

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

1 (c) "Certificate of occupancy" means:

2 (i) For a newly constructed eligible computer data center, the  
3 certificate of occupancy issued by a local governing authority for  
4 the structure or structures which comprise the eligible computer data  
5 center; or

6 (ii) For renovations of an eligible computer data center, the  
7 certificate of occupancy issued by a local governing authority for  
8 the renovated structure or structures that comprise the eligible  
9 computer data center.

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

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

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

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

36 (f) "Eligible computer data center" means a computer data center  
37 having at least 20,000 square feet dedicated for housing working  
38 servers. Movable or fixed stand-alone, prefabricated, or modular  
39 units, including intermodal shipping containers, do not qualify as  
40 "eligible computer data centers."

1 (g) "Eligible power infrastructure" means all fixtures and  
2 equipment owned by a qualifying business or qualifying tenant and  
3 necessary for the transformation, distribution, or management of  
4 electricity that is required to operate eligible server equipment  
5 within an eligible computer data center. The term includes  
6 generators; wiring; cogeneration equipment; and associated fixtures  
7 and equipment, such as electrical switches, batteries, and  
8 distribution, testing, and monitoring equipment. The term does not  
9 include substations.

10 (h) (i) "Eligible server equipment" means for a qualifying  
11 business whose computer data center qualifies as an eligible computer  
12 data center, the original server equipment installed in an eligible  
13 computer data center on or after June 9, 2022, and replacement server  
14 equipment.

15 (ii) For purposes of this subsection (9) (h), "replacement server  
16 equipment" means server equipment that:

17 (A) Replaces existing server equipment, if the sale or use of the  
18 server equipment to be replaced qualified for an exemption under this  
19 section or RCW 82.12.9861; and

20 (B) Is installed and put into regular use within 10 years of June  
21 9, 2022.

22 (iii) For a qualifying tenant who leases space within an eligible  
23 computer data center, "eligible server equipment" means the original  
24 server equipment installed within the space it leases from an  
25 eligible computer data center with an exemption certificate on or  
26 within 10 years of June 9, 2022, and replacement server equipment.  
27 For purposes of this subsection (9) (h) (iii), "replacement server  
28 equipment" means server equipment that:

29 (A) (I) Replaces existing server equipment, if the sale or use of  
30 the server equipment to be replaced qualified for an exemption under  
31 this section or RCW 82.12.9861 and is installed and put into regular  
32 use before July 1, (~~2027~~) 2026; or

33 (II) Replaces existing server equipment in a computer data center  
34 that meets the following requirements: Was ineligible before June 9,  
35 2022, for the exemptions provided under this section and RCW  
36 82.12.9861; has been refurbished; and to which a valid exemption  
37 certificate applies; and

38 (B) Is installed and put into regular use no later than 12 years  
39 after the date of the certificate of occupancy or completion of  
40 refurbishment of the computer data center.

1 (i) "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. The term does  
4 not include the state or federal government or any of their  
5 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 (j) "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. The term does not include the state or federal  
14 government or any of their departments, agencies, and institutions;  
15 tribal governments; political subdivisions of this state; or any  
16 municipal, quasi-municipal, public, or other corporation created by  
17 the state or federal government, tribal government, municipality, or  
18 political subdivision of the state.

19 (k) (i) "Refurbished" or "refurbishment" means a substantial  
20 improvement to an eligible computer data center for which a  
21 certificate of occupancy is not issued. Such an improvement must  
22 update or modernize servers, server space, ventilation, or power  
23 infrastructure in an eligible computer data center.

24 (ii) For a qualifying computer data center to be considered  
25 refurbished, the qualifying business must certify, in a form and  
26 manner prescribed by the department, that the refurbishment of an  
27 eligible computer data center is complete. The refurbishment is  
28 considered complete on the date that the improved portion of the  
29 computer data center is operationally complete and able to be used  
30 for its intended purpose.

31 (l) "Server equipment" means the computer hardware located in an  
32 eligible computer data center and used exclusively to provide  
33 electronic data storage and data management services for internal use  
34 by the owner or lessee of the computer data center, for clients of  
35 the owner. For the purposes of this subsection, "electronic data  
36 storage and data management services" include, but are not limited  
37 to: Providing data storage and backup services, providing computer  
38 processing power, hosting enterprise software applications, and  
39 hosting websites. The term also includes providing services such as  
40 email, web browsing and searching, media applications, and other

1 online services, regardless of whether a charge is made for such  
2 services. "Server equipment" also includes computer software  
3 necessary to operate the computer hardware. "Server equipment" does  
4 not include personal computers, the racks upon which the server  
5 equipment is installed, and computer peripherals such as keyboards,  
6 monitors, printers, and mice, unless used within the eligible  
7 computer data center.

8 (10) This section expires July 1, (~~2038~~) 2026.

9 **Sec. 5.** RCW 82.12.9861 and 2022 c 267 s 6 are each amended to  
10 read as follows:

11 (1) An exemption from the tax imposed by RCW 82.12.020 is  
12 provided for the use by qualifying businesses or qualifying tenants  
13 of eligible server equipment to be installed, without intervening  
14 use, in an eligible computer data center, and to the use of labor and  
15 services rendered in respect to installing such server equipment. The  
16 exemption also applies to the use by a qualifying business or  
17 qualifying tenant of eligible power infrastructure, including labor  
18 and services rendered in respect to installing, repairing, altering,  
19 or improving such infrastructure.

20 (2) The exemption provided in this section does not apply to any  
21 person for whom the exemption under RCW 82.08.9861 does not apply.

22 (3) A qualifying business or a qualifying tenant claiming an  
23 exemption under this section must complete an annual tax performance  
24 report as required in RCW 82.32.534. The report must identify  
25 construction firm names and employment levels used for constructing,  
26 renovating, refurbishing, or remodeling the data centers.

27 (4) The definitions and requirements in RCW 82.08.9861 apply to  
28 this section.

29 (5) The exemption provided in subsection (1) of this section does  
30 not apply to the use of eligible server equipment and eligible power  
31 infrastructure, and the labor and services provided in subsection (1)  
32 of this section, if first used by qualifying businesses or qualifying  
33 tenants on or after July 1, (~~2038~~) 2026.

34 (6) This section expires July 1, (~~2043~~) 2031.

--- END ---