SALES AND USE TAX
Data Center Exemption

April 2, 2014

Preliminary Analysis

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 2934 (Rest) As Proposed to be Amended (SCS2934A-2)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
	(000's)			
All Funds	(Unknown)	(Unknown)	(Unknown)	(Unknown)

Effective retroactively to sales and purchases made after June 30, 2012.

EXPLANATION OF THE BILL

For the sales tax exemption for data centers, in 2013 the qualification square footage threshold for both new and refurbished data centers was reduced from 30,000 to 25,000 square feet. The expenditure threshold for newly-built data centers was reduced from $50 million to $30 million and the qualification time frame was increased from 24 months to 48 months. Data centers that qualify under these new qualification thresholds can use expenditures that occurred before July 1, 2013, to reach the qualification threshold but may receive a refund only for purchases made after June 30, 2013. The bill would allow data centers that qualify under the 2013 thresholds to claim a refund for expenditures that occurred from July 1, 2012, to June 30, 2013.

The bill would also clarify that a qualified refurbished data center receives the same sales and use tax exemptions and refunds that a qualified data center receives. The bill also clarifies that purchases of computer software maintenance agreements made before July 1, 2013, are not included when determining if the spending threshold has been met to qualify as either a new or refurbished data center and are not exempt before July 1, 2013.

REVENUE ANALYSIS DETAIL

- Currently a data center that qualifies under the thresholds adopted in 2013 that has taxable expenditures both before and after June 30, 2013, can only claim a refund for the taxable expenditures made after June 30, 2013.
- This bill will have a negative impact on revenues because qualified data centers using the 2013 thresholds will be able to claim refunds for taxes paid on purchases from July 1, 2012, to June 30, 2013.
- It is not known how many data centers that qualify using the 2013 thresholds had expenditures before July 1, 2013. For those data centers that do qualify with expenditures before July 1, 2013, it also not known what percentage of their total qualified spending was made before July 1, 2013.

Source: Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx

sf2934_1 / pja