

March 23, 2025

February Forecast Update

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 769 (Hauschild) / H.F. 1277 (Davids)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
			(000's)	
General Fund	\$0	\$0	(\$66,180)	\$0
Natural Resources and Arts Funds	\$0	\$0	(\$3,820)	\$0
Housing Assistance Fund	\$0	\$0	(\$1,510)	\$0
Special Revenue Fund	<u>\$0</u>	<u>\$0</u>	<u>(\$770)</u>	<u>\$0</u>
Total – All Funds	\$0	\$0	(\$72,280)	\$0

Effective for sales and purchases made after June 30, 2025.

EXPLANATION OF THE BILL

Current Law: Purchases of enterprise information technology equipment and computer software for use in a qualified data center, or a qualified refurbished data center, are exempt from the sales and use tax. The exemption is administered as a refund. The exemption applies to purchases made before July 1, 2042.

Proposed Law: The bill would modify the data center sales and use tax exemption. The bill would create a definition of a “qualified large-scale data center”. This would be defined as a facility in Minnesota comprised of one or more buildings connected to each other by fiber and associated equipment that consist in aggregate of at least 25,000 square feet. To meet the definition, the total cost of construction or refurbishment, investment of enterprise information technology equipment, and computer software is at least \$250 million by the facility and its tenants within a 60-month period beginning after June 30, 2025. The exemption for a qualified large-scale data center would be at the time of purchase for purchases made after certification and would not be administered as a refund. The bill would allow the exemption for large-scale data centers indefinitely.

Data center projects would be subject to prevailing wage requirements and environmental standards.

REVENUE ANALYSIS DETAIL

- Based on information available at the time of the February Forecast, several facilities were expected to be certified in the forecast window that meet the criteria of a large-scale data center.

- Exemptions at the time of purchase impact revenues earlier than refund-based exemptions. It is expected that there would be a shift in the timing of revenues due to the change from a refund-based exemption to an exemption at the time of purchase.
- There will be additional costs after 2042 due to the lack of sunset date for the large-scale data center exemption.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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sf0769(hf1277) Large-Scale Data Centers_3/ trc