

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-3102/1	Introduction Number SB-0308	
Description a sales and use tax exemption for data center equipment or software		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Agency/Prepared By DOR/ Travis Arthur (608) 266-8565	Authorized Signature Robert Schmidt (608) 266-5773	Date 6/2/2023

Fiscal Estimate Narratives

DOR 6/2/2023

LRB Number	23-3102/1	Introduction Number	SB-0308	Estimate Type	Original
Description a sales and use tax exemption for data center equipment or software					

Assumptions Used in Arriving at Fiscal Estimate

The bill provides sales/use tax exemptions for certain items purchased for use at a qualified data center (as determined by WEDC). The exemption first applies to "eligible data center costs" made after effective date of the bill. The bill has certain parameters for a "qualified data center" related to minimum investments, location, and ownership.

As a result, the forgone sales tax revenue depends on the parameters of future Wisconsin data center projects. Assuming a project fits the parameters outlined in the bill, the following is an example of the forgone sales tax revenue for a single "typical" datacenter project.

Based on information from the US Chamber of Commerce, capital expenditures for a typical data center are approximately \$215.5M. Among that amount IT equipment makes up \$157.1M and building construction makes up \$45.0M. Annual operating expenses are estimated to be \$18.5M. After adjusting for items that would be otherwise subject to sales tax, the department estimates a sales tax decrease of \$8.5 million related to initial construction and an ongoing sales tax reduction of \$735,000. Assuming the IT equipment is replaced on a 5-year schedule, sales tax would decrease by an additional \$1.6 million on an annualized basis when equipment replacement begins.

County sales tax collections would decrease compared to current law depending on the size and location of a qualified data center.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 23-3102/1	Introduction Number SB-0308	
Description a sales and use tax exemption for data center equipment or software		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$See Text
Agency/Prepared By		
Authorized Signature		
Date		
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