

Fiscal Estimate - 2025 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

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|--|---|
| LRB Number 25-2933/1 | Introduction Number SB-0244 |
| Description modifying the sales and use tax exemption for qualified data centers | |
| Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs</div></div> Local: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No Local Government Costs <input checked="" 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</div><div style="width: 33%;">5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Towns <input checked="" type="checkbox"/> Counties <input type="checkbox"/> School Districts</div><div style="width: 33%;"><input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts</div><div style="width: 33%;"><input type="checkbox"/> Cities</div></div></div></div> | |

Fiscal Estimate Narratives

WEDC 5/12/2025

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| Description modifying the sales and use tax exemption for qualified data centers | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

AB-0245/SB-0244 would make several changes to the eligibility criteria for the Data Center Sales and Use Tax (DCSTE) that is administered by WEDC.

Firstly, the legislation expands the definition of a 'qualified data center' to include both networked and individual server computers.

Secondly, the proposal expands the definition of a 'qualified data center' to also include data centers that lease out data center power and space to multiple tenants, commonly known as "colocation data centers". This change would make colocation data centers eligible, thereby increasing the potential number of qualifying projects under DCSTE.

Thirdly, the proposal explicitly excludes data centers dedicated to cryptocurrency from DCSTE. While current law does not explicitly exclude crypto-related projects, the WEDC has not certified any crypto-related data centers to date. This proposal would formally prohibit WEDC from certifying crypto-related data centers.

Overall, WEDC estimates that the expanded eligibility criteria would increase the volume of DCSTE applications, thereby increasing administrative costs. The estimated additional workload is likely to require less than one full-time equivalent (FTE) position for attracting and processing additional DCSTE applications. Since the proposal does not include any additional staffing, the cost of this program would not be able to be absorbed by the Corporation without reducing available resources for the Corporation's other programs and activities.

From a broader fiscal perspective, the bill is expected to reduce state and local revenues by expanding the number of data centers eligible for Sales and Use Tax Exemptions. Because the Sales and Use Tax Exemption can be used for eligible items purchased by any entity for the benefit of the Data Center, it is difficult to track and monetize. Data Centers currently certified well-exceeded the current Minimum Qualified Investment requirement for their respective counties in year one, and the Exemption never expires. WEDC estimates that costs eligible for the DCSTE, paid only by the Business Entities listed in WEDC's certification agreements, have resulted in more than \$70M in tax exemptions. Broadening the eligibility criteria as proposed will increase the pool of potential data center projects, resulting in additional expenditures at the state and local level in the form of exemptions.

Long-Range Fiscal Implications

Undetermined