

Department of Revenue Fiscal Note

Bill Number: 5873 E SB	Title: Server equipment businesses	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2012	FY 2013	2011-13	2013-15	2015-17
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		(2,384,000)	(2,384,000)	(9,538,000)	(14,306,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(4,000)	(4,000)	(16,000)	(22,000)
Total \$		(2,388,000)	(2,388,000)	(9,554,000)	(14,328,000)

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Dean Carlson	Phone: (360)786-7305	Date: 05/20/2011
Agency Preparation:	Gerald Saylor	Phone: 360-534-1517	Date: 05/23/2011
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 05/23/2011
OFM Review:	Heather Matthews	Phone: (360) 902-0543	Date: 05/23/2011

Request # 5873-2-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This legislation relates to qualifying businesses of eligible server equipment and provides new effective and expiration dates of tax exemptions.

Section 1 of this bill changes the definition of a qualifying business eligible for the sales tax exemptions on server equipment and eligible power infrastructure. Changes in the statute will include: 1) Eligible power infrastructure will include associated fixtures and equipment, such as, electrical switches, batteries, and distribution testing and monitoring equipment; 2) The minimum server space square footage requirement for a qualifying business will be eliminated; 3) The addition to the qualifying business definition will be consumers of eligible power infrastructure or of labor and services rendered in respect to constructing, installing, repairing, altering, or improving eligible power infrastructure, that is not otherwise a qualifying business under subsection(6)(f)(i)(A) of this act.

The construction commencement window for qualified businesses will be extended from July 1, 2011 to July 1, 2014.

The "Server Equipment" definition will be changed to include computer hardware located in an eligible computer data center and used exclusively to provide electronic data storage and data management services for internal use by the owner or lessee of the computer data center, for clients of the owner or lessee of the computer data center, or both. "Server equipment" also includes computer software necessary to operate the computer hardware. "Server equipment" does not include personal computers, the racks upon which the server equipment is installed, and computer peripherals such as keyboards, monitors, printers, and mice.

This section expires April 1, 2021.

Section 2 of this act extends the use tax exemption on qualifying server equipment and power infrastructure from April 1, 2018 to April 1, 2021 amending RCW 82.12.986.

The effective date of this legislation is July 1, 2011.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS

Based on the construction history of nine data centers over the last five years it is assumed that 2 new data centers will be built in each fiscal year 2013 and 2014. This includes five existing data centers and four additional data centers that have begun in the last year.

Average square footage of new data centers is assumed to be 92,000 square feet. This is based on the average square footage of the four most recent data centers.

Equipment installation will begin in 2013 and equipment will be replaced on a 3 year cycle beginning 2016.

Costs of equipment including power infrastructure is \$795 per sq ft

It will take 4 years on average for the new data centers to be completely utilized.

DATA SOURCES

Department of Revenue data
datacenterknowledge.com

REVENUE ESTIMATES

If this legislation is enacted, state revenues will be reduced by approximately \$2,388,000; \$9,554,000; and \$14,328,000 in the biennia ending in fiscal years 2013, 2015, and 2017; respectively.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2012 - \$ 0
FY 2013 - (\$2,388)
FY 2014 - (\$4,777)
FY 2015 - (\$4,177)
FY 2016 - (\$7,164)
FY 2017 - (\$7,164)

Local Government, if applicable (cash basis, \$000):

FY 2012 - \$ 0
FY 2013 - (\$888)
FY 2014 - (\$1,776)
FY 2015 - (\$1,776)
FY 2016 - (\$2,664)
FY 2017 - (\$2,664)

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing

The Department of Revenue will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

Part IV: Capital Budget Impact

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

No rule-making required.