

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2655 HB	<b>Title:</b> Data center sales and use tax exemption
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## Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	0	0	0	(2,560,000)	(2,560,000)	(2,604,000)	(2,560,000)	(2,560,000)	(2,604,000)
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,560,000)</b>	<b>(2,560,000)</b>	<b>(2,604,000)</b>	<b>(2,560,000)</b>	<b>(2,560,000)</b>	<b>(2,604,000)</b>

Agency Name	2025-27		2027-29		2029-31	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other				(930,600)		(970,200)
Local Gov. Total				(930,600)		(970,200)

## Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.2	69,600	69,600	69,600	.2	39,600	39,600	39,600	.1	29,000	29,000	29,000
<b>Total \$</b>	<b>0.2</b>	<b>69,600</b>	<b>69,600</b>	<b>69,600</b>	<b>0.2</b>	<b>39,600</b>	<b>39,600</b>	<b>39,600</b>	<b>0.1</b>	<b>29,000</b>	<b>29,000</b>	<b>29,000</b>

## Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Tyler Lentz, OFM	<b>Phone:</b> (360) 790-0055	<b>Date Published:</b> Final 2/ 3/2026
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2655 HB	<b>Title:</b> Data center sales and use tax exemption	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax				(2,560,000)	(2,560,000)
Multimodal Transportation Account-State 01 - Taxes 01 - Retail Sales Tax				(40,000)	(40,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax				(4,000)	(4,000)
<b>Total \$</b>				(2,604,000)	(2,604,000)

### Estimated Expenditures from:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.0	0.4	0.2	0.2	0.1
GF-STATE-State 001-1	3,200	66,400	69,600	39,600	29,000
<b>Total \$</b>	3,200	66,400	69,600	39,600	29,000

### 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: Serena Dolly	Phone: 60-786-7150	Date: 01/24/2026
Agency Preparation: Tom Gilmore	Phone: 60-534-1559	Date: 01/30/2026
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 01/30/2026
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 02/03/2026

Request # 2655-1-1

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

#### CURRENT LAW:

Exemptions for sales and use taxes apply to qualified data center equipment in rural counties and in urban counties with populations above 800,000. But there is no such exemption in other counties.

#### PROPOSAL:

This bill creates a new sales and use taxes exemptions for qualifying businesses operating data centers and qualifying tenants of these data centers. The data center must be located in a county east of the Cascades, having a population of at least 500,000, and bordering another state.

The exemption includes purchases of eligible server equipment and power infrastructure. The exemption for server equipment includes labor and services for installing eligible server equipment. The exemption for power infrastructure includes purchases of materials and equipment, as well as labor and services, for constructing, installing, repairing, altering, or improving eligible power infrastructure.

There is no limit on the number of exemption certificates that may be issued for new computer data centers. No new exemption certificates may be issued on or after July 1, 2036, and the exemptions expire July 1, 2048.

To obtain an exemption certificate, a qualifying business or tenant must submit an application to the Department of Revenue (Department). The application must include information necessary to determine whether the business or tenant qualifies for the exemption. The department must issue exemption certificates to qualifying businesses and qualifying tenants.

#### Program requirements:

- To qualify, a facility must meet employment and facility size requirements. In addition, qualifying businesses operating newly constructed data centers must attain certification for sustainable design or green building standards.
- An eligible computer data center must have at least 20,000 square feet dedicated to housing working servers.
- The commencement of construction must occur after June 30, 2026, and before July 1, 2035.

#### Eligible server equipment requirements for qualifying businesses and tenants:

- Original server equipment installed in an eligible data center on or after July 1, 2026.

The qualifying business or tenant claiming the exemptions must complete an annual tax performance report. The report must include the names of the construction firms and their employment levels used to construct, renovate, refurbish, or remodel the data centers.

#### EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

#### ASSUMPTIONS:

- Based on the current data center programs and the decline of data centers being built in the area, we assume two qualifying data centers will be built throughout the term of this exemption program. One will be built in fiscal year 2028 and a second in fiscal year 2034.

Request # 2655-1-1

- The average size of a new data center is approximately 210,000 square feet with an estimated 100,000 square feet of dedicated server space.
- For a new data center, the average cost per square foot for eligible servers and power infrastructure is \$800 per square foot.
- Original server equipment will be installed within four years after the certificate's effective date.
- Data centers receiving new certificates will meet the sustainable design or green building standard requirement.
- Qualifying businesses and tenants will meet the labor requirements to qualify for the exemption.
- Currently, tribes with compacts receive a share of state sales and use taxes and certain business and occupation taxes (RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use taxes. Under this legislation, the amount of revenue shared with tribes and local governments may increase.
- The department receives the taxes from monthly taxpayers the month after the business collects the sales tax from the consumer. Most local tax distributions occur the month after the department receives sales and use taxes that businesses collect. This leads to a one-month delay in revenue impacts for the state and a two-month delay for local jurisdictions.
- Local revenue estimates use the average sales and use taxes rate for Spokane County of 2.4% based on qualification criteria.
- Impacts begin July 1, 2027, impacting 12 months of state collections and 11 months of local collections in fiscal year 2028.

**DATA SOURCES:**

- Department of Revenue, Data center data
- Barth, Adam, et al. "The Data Center Balance: How US States Can Navigate the Opportunities and Challenges." McKinsey & Company, 8 Aug. 2025, www.mckinsey.com/industries/public-sector/our-insights/the-data-center-balance-how-us-states-can-navigate-the-opportunities-and-challenges#/.
- "Opening the Stargate: Tech Giants to Invest \$500B in AI Data Center Infrastructure." DataCenterKnowledge, 2025, www.datacenterknowledge.com/ai-data-centers/opening-the-stargate-tech-giants-to-invest-500b-in-ai-data-center-infrastructure.
- "New Data Center Developments: March 2025." DataCenterKnowledge, 2025, www.datacenterknowledge.com/data-center-construction/new-data-center-developments-march-2025.
- Satz, Jackson. "[2025] Big Tech Data Center Construction Update | BuildCentral | Powered by Hubexo." BuildCentral | Powered by Hubexo, 11 Oct. 2021, www.buildcentral.com/data-center-construction/.

**REVENUE ESTIMATES:**

This bill decreases state revenues by an estimated \$1.302 million in fiscal year 2028, the first full year of impacted collections.

This bill also decreases local revenues by an estimated \$450,000 in the 11 months of impacted collections in fiscal year 2028, and by \$490,000 in fiscal year 2029, the first full year of impacted collections.

**TOTAL REVENUE IMPACT:**

State Government (cash basis, \$000):	
FY 2026 -	\$ 0
FY 2027 -	\$ 0
FY 2028 -	(\$ 1,302)
FY 2029 -	(\$ 1,302)
FY 2030 -	(\$ 1,302)

FY 2031 - (\$ 1,302)

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

FY 2026 - \$ 0  
FY 2027 - \$ 0  
FY 2028 - (\$ 450)  
FY 2029 - (\$ 490)  
FY 2030 - (\$ 490)  
FY 2031 - (\$ 490)

## II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

### ASSUMPTIONS:

This bill affects fewer than three taxpayers.

Implementation of this legislative proposal will require additional tribal consultation. While the exact level of engagement required is unknown, the department will incur costs for tribal consultation and will absorb them within current funding.

### FIRST YEAR COSTS:

The department will incur total costs of \$3,200 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 0.04 FTE.

- Update relevant information on the department’s website.
- As a part of implementing this legislation, the department will incur additional costs for engaging in tribal consultation, and those costs will be absorbed within current funding.

### SECOND YEAR COSTS:

The department will incur total costs of \$66,400 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 0.4 FTE.

- Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Gathering requirements, attending implementation meetings, and documenting and testing system changes.
- As a part of implementing this legislation, the department will incur additional costs for engaging in tribal consultation, and those costs will be absorbed within current funding.
- Respond to data requests and questions, compile statistics, and manage data.

Object Costs - \$9,300.

- Computer system changes, including contract programming.

### THIRD YEAR COSTS:

The department will incur total costs of \$25,100 in fiscal year 2028. These costs include:

Labor Costs – Time and effort equate to 0.2 FTE.

- Continue to process tax return work items, examine accounts, and assist taxpayers.
- Respond to data requests and questions, compile statistics, and manage data.

### FOURTH YEAR COSTS:

The department will incur total costs of \$14,500 in fiscal year 2029. These costs include:

Request # 2655-1-1

Labor Costs – Time and effort equate to 0.1 FTE.

- Continue to respond to data requests, compile statistics, and manage data.

**ONGOING COSTS:**

Ongoing costs for the 2029-31 biennium equal \$29,000 and include similar activities described in the fourth-year costs. Time and effort equate to 0.1 FTE each year.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

	<b>FY 2026</b>	<b>FY 2027</b>	<b>2025-27</b>	<b>2027-29</b>	<b>2029-31</b>
FTE Staff Years	0.0	0.4	0.2	0.2	0.1
A-Salaries and Wages	2,100	35,700	37,800	25,600	18,800
B-Employee Benefits	800	12,900	13,700	9,200	6,800
C-Professional Service Contracts		9,300	9,300		
E-Goods and Other Services	200	6,900	7,100	4,500	3,200
J-Capital Outlays	100	1,600	1,700	300	200
<b>Total \$</b>	<b>\$3,200</b>	<b>\$66,400</b>	<b>\$69,600</b>	<b>\$39,600</b>	<b>\$29,000</b>

**III. B - Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

<b>Job Classification</b>	<b>Salary</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>2025-27</b>	<b>2027-29</b>	<b>2029-31</b>
EXCISE TAX EX 3	67,992		0.1	0.1	0.1	
IT B A-JOURNEY	97,570		0.2	0.1		
TAX POLICY SP 2	82,874	0.0		0.0		
TAX POLICY SP 3	93,800	0.0	0.1	0.1	0.1	0.1
WMS BAND 2	100,662	0.0		0.0		
<b>Total FTEs</b>		<b>0.0</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>

**III. C - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**Part V: New Rule Making Required**

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

**Bill Number:** 2655 HB

**Title:** Data center sales and use tax exemption

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities: local sales and use tax revenue decrease
- Counties: local sales and use tax revenue decrease
- Special Districts: local sales and use tax revenue decrease
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

### Estimated revenue impacts to:

Jurisdiction	FY 2026	FY 2027	2025-27	2027-29	2029-31
City				(279,450)	(291,342)
County				(352,554)	(367,556)
Special District				(298,596)	(311,302)
<b>TOTAL \$</b>				(930,600)	(970,200)
<b>GRAND TOTAL \$</b>					(1,900,800)

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/30/2026
Leg. Committee Contact: Serena Dolly	Phone: 360-786-7150	Date: 01/24/2026
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/30/2026
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 02/03/2026

## Part IV: Analysis

### A. SUMMARY OF BILL

*Description of the bill with an emphasis on how it impacts local government.*

This bill creates a new sales and use tax exemption for certain “purchases of server equipment, power infrastructure, labor, and services” by certain qualifying data centers. The data center must be located in a county east of the Cascades, having a population of at least 500,000, and bordering another state.

Exemption certificates may not be issued on or after July 1, 2036, and the exemptions expire July 1, 2048.

Certain program requirements apply.

### B. SUMMARY OF EXPENDITURE IMPACTS

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill will not impact local government expenditures.

### C. SUMMARY OF REVENUE IMPACTS

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

The Dept of Revenue assumes two qualifying data centers will be built throughout the term of this exemption program: one in fiscal year 2028 and a second in fiscal year 2034 (beyond the term of this analysis). Local revenue estimates use the average sales and use taxes rate for Spokane County of 2.4% based on qualification criteria.

This bill decreases local government revenues by an estimated \$450,000 in the 11 months of impacted collections in fiscal year 2028, and by \$490,000 in fiscal year 2029, the first full year of impacted collections.

#### COUNTIES

FY 2028	\$(168,776)
FY 2029	\$(183,778)
FY 2030	\$(183,778)
FY 2031	\$(183,778)

#### CITIES

FY 2028	\$(133,779)
FY 2029	\$(145,671)
FY 2030	\$(145,671)
FY 2031	\$(145,671)

#### SPECIAL DISTRICTS

FY 2028	\$(142,945)
FY 2029	\$(155,651)
FY 2030	\$(155,651)
FY 2031	\$(155,651)

#### METHODOLOGY

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2024. Distributions in 2024 were 37.88 percent to counties, 30.03 percent to cities, and 32.09 percent to special districts. A one percent DOR administrative fee has been deducted from the total.

#### SOURCES

Department of Revenue Fiscal Note

