

Data Center Equipment

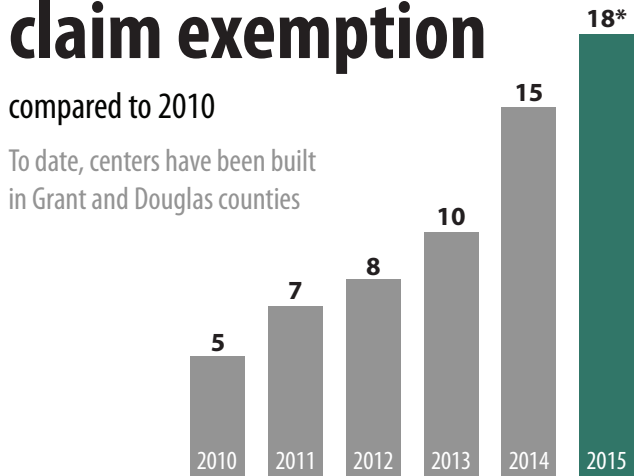
JULY 2016

Stated Objectives	Results
Improve industry competitiveness through increased investment, resulting in increased property taxes paid on data centers in rural counties	Achieved
Create family-wage jobs	Too soon to tell

More businesses invest in data centers and claim exemption

compared to 2010

To date, centers have been built in Grant and Douglas counties



* Potential, estimated by JLARC staff based on exemption certificates issued.
Source: JLARC Staff Analysis of DOR – Tax Incentive Public Disclosure Reports.

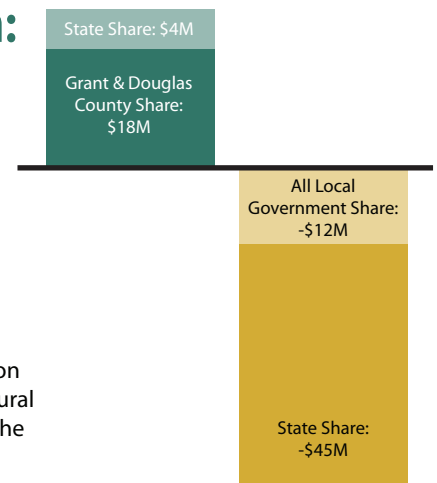
Gain in property tax paid is less than sales tax losses

Property tax gain:
\$22M (2016)

Businesses pay property taxes on data centers in rural counties.

Sales tax loss:
-\$57M (2016)

Businesses do not pay sales taxes on certain equipment purchases for rural data centers, regardless of where the purchase is made.



Source: JLARC Staff Analysis of DOR tax exemption study, property tax data

Too soon to know if job target will be met

Actual job data is unavailable until late 2016.

Businesses that do not meet job targets must pay back previous years' tax savings



Source: Job target based on exemption certificates. Tax savings estimated from JLARC Analysis of 2016 DOR Tax Exemption Study.

RECOMMENDATION: The Legislature should continue the data center sales and use tax exemption because it is achieving the stated public policy objective. The rural county tax base has increased as a result of the construction of data centers eligible for the tax preference.

For more information, contact:

Keenan Konopaski, Washington State Legislative Auditor • (360) 786-5187 • keenan.konopaski@leg.wa.gov

The complete report is at citizentaxpref.wa.gov.