

Special Notice

Intended audience: Data centers in urban counties.

June 9, 2022

Sales and use tax exemption for nonrural data centers

Effective June 9, 2022, qualifying businesses and qualifying tenants can apply for a sales and use tax exemption certificate for purchases of eligible server equipment and eligible power infrastructure for an eligible computer data center located in a nonrural county.

What is a nonrural (urban) county?

A nonrural county is a county with a population greater than 800,000 as determined by the April 1, 2021, office of financial management population estimates. This includes King, Pierce, and Snohomish counties.

What is the exemption?

It is a sales or use tax exemption provided to qualifying businesses or qualifying tenants of an eligible computer data center on purchases of:

- Eligible server equipment installed, without intervening use, in an eligible computer data center, and the labor and services required to install it.
- Eligible power infrastructure and the labor and services required to construct, install, alter, or improve it.

What is an eligible computer data center?

A computer data center is eligible if it has at least 20,000 square feet dedicated for housing working servers.

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A computer data center is a facility comprised of one or more buildings specifically constructed or refurbished and primarily used to house working servers that has all of the following characteristics:

- Uninterrupted power supplies, generator backup power, or both.
- Sophisticated fire suppression and prevention systems.
- Enhanced physical security such as:
 - Restricted access to the facility to selected personnel.
 - Permanent security guards.
 - Video camera surveillance.
 - Electronic system requiring passcodes, keycards, or biometric scans.
 - Similar security features.

How do I claim the exemption?

To claim the exemption a business must submit an [Application for Sales Tax Exemption for Purchases by Data Centers](#) to the department. Businesses should submit the following documentation with the application:

- Site Plan.
- Building Permit or Certificate of Occupancy.
- Confidential Tax Information Authorization form if the application is not signed by a governing person.

The application and supporting documentation should be submitted by sending a web message from the My DOR portal using the topic “Data Centers”.

The department will issue a Certificate for Sales Tax Exemption for Purchases by Nonrural Data Centers to qualifying businesses.

The qualifying business must present this exemption certificate to the seller who must keep a copy for their files.

Are there limits on the number of applications?

Yes. The department can only approve six applications in the first calendar year of the exemption and six additional applications each year in years three through six of the exemption.

The exemption will be available on a first-in-time basis based on when the department receives the application.

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Are there employment requirements?

Yes. Within six years of the issuance of an exemption certificate the qualifying business or qualifying tenant must establish net employment increased by a minimum of three family wage employment positions for each 20,000 square feet of newly dedicated server space at the eligible computer data center.

For qualifying tenants, the increase of family wage jobs is based only on the space occupied by the qualifying tenant.

Once established, the new employment positions must be maintained as long as the certificate is valid.

Businesses that do not meet the hiring requirements will immediately owe any exempted sales or use tax.

Are there construction requirements?

Yes. Within three years after being placed in services, a qualifying business operating a newly constructed data center must certify to the department that it has obtained certification under one or more specified sustainable design or green building standards.

Businesses that do not meet the building certification requirements will immediately owe any exempted sales or use tax plus an additional 10% penalty.

Are there reporting requirements?

Yes. Businesses claiming this exemption must file an Annual Tax Performance Report with the department by May 31 of each year following a year in which they claimed the exemption.

Buyers must also complete the Buyer's Sales and Use Tax Preference Addendum when filing their excise tax returns. From the drop-down menu, select "Server and Power Infrastructure Equipment for New or Refurbished Data Centers in Urban Counties." After you have selected the drop down, complete the remaining fields on the table.

More information

[ESHB 1846](#) Data Centers Tax Preferences

Questions?

Call Taxpayer Account Administration at 360-705-6217 or send a web message using the topic Data Centers.

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