

Special Notice

Intended audience: Data centers in rural counties.

June 9, 2022

Sales and use tax exemption for rural data centers expanded

Effective June 10, 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 rural county as defined in [RCW 82.14.370](#).

What changed?

There is no longer a limit on the number of exemption certificates that can be issued for new computer data centers.

The department may issue up to six certificates each calendar year for data centers that qualify through refurbishment.

Certificates for refurbishment will be available on a first-in-time basis based on when the department receives the application. Each qualifying business may only apply for one certificate for a refurbished data center each calendar year.

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 meets all of the following criteria:

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- Is located in a rural county as defined in RCW 82.14.370.
- Has at least 20,000 square feet dedicated for housing working servers.
- Commencement of construction occurs after March 31, 2010, and before July 1, 2035, excluding July 1, 2011 through March 31, 2012.

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 Data Centers to qualifying businesses.

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

What are the employment requirements?

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 the lesser of:

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- Thirty-five family wage employment positions.
- Three family wage employment positions for each 20,000 square feet or less 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 service, 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.

What are the reporting requirements?

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 one of the following options based on your data center facility:

- Server and Power Infrastructure for New Data Centers in Rural Counties.
- Server and Power Infrastructure for Refurbished Data Centers in Rural Counties.

After you have selected the appropriate drop down, complete the remaining fields on the table.

More information

[RCW 82.08.986](#)

[RCW 82.12.986](#)

[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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