

Tax Revenue & Economic Development Subgroup's Recommended Draft Findings

Draft Finding T.1 Key Factors in Siting Data Centers Generally

- The following were identified as key factors in a developer's decision to site a data center. Industry emphasized that not all factors have the same weight in decision-making:
 - Access to fiber/interconnection.
 - Access to water for industrial purposes.
 - Access to clean, reliable, and ample energy.
 - Climate and risk of natural disaster.
 - Land availability.
 - Tax incentives.
 - Regulatory climate (including permitting and permitting timelines).
 - Other cost considerations:
 - Ownership/occupancy costs
 - Land
 - Construction
 - Ongoing operations
 - Electricity
 - Time to market.
 - Access to skilled construction and technology workforce.
 - Tax and regulatory certainty.
 - Cooler climate (naturally reduces load); and
 - General risk management (e.g., civil unrest, cybersecurity).
- *Minority Report*
 - [Name, Organization] What is it you object to and why?

Draft Finding T.2 Key Factors Receiving the Greatest Weight in Siting Data Centers in Washington

- From the factors listed above in T.1, the following were identified as key factors bearing the greatest weight in a developer's decision to site a data center in Washington:
 - Access to clean, reliable, and affordable energy (Industry noted that without electricity, none of the other factors matter).
 - Tax incentives.
 - Regulatory climate (including permitting and permitting timelines);
 - Time to market.
 - Ownership/occupancy costs.
- *Minority Report*

- [Name, Organization] Explanation – What is it you object to and why?

Draft Finding T.3 Data Centers’ Positive Impact on Washington’s Local Communities

- Data Centers have and are making a positive impact on rural Eastern Washington and urban Western Washington communities.
 - For the purposes of state and local property taxes, the additional assessed value of data centers on the town of Quincy (approximately 8,500 people) enabled the city to reinvest and upgrade services while its citizens pay less in property taxes.
 - In 2006 *before* data centers located to Grant County, the assessed value of the top 10 taxpayers in Grant County was \$312,977,310 which represented \$4,246,801 in tax paid.
 - In 2025 *after* data centers located to Grant County, the assessed value of the top 10 taxpayers in Grant County was \$6,136,727,665 (a 1961% increase over 2006) which represented \$54,267,353 in tax paid (an increase of 1277% over 2006). 7 of the 10 highest assessed values and taxes paid are from data centers, and 6 of the 7 are located in Quincy. (The seventh is located in Moses Lake.)
 - The data center’s additional assessed value has driven down the City of Quincy’s levy rate over time. The current rate is approximately 70% less than it was in 2006 before data centers located to Quincy. As a result, Quincy’s other taxpayers are generally paying significantly less in property taxes.
 - 2006 (before data centers): \$3.12 per thousand
 - 2016: \$1.97108 per thousand
 - 2025: \$0.87788 per thousand
 - As a result of lower levy rates, the City of Quincy has been able to replace, upgrade, and/or newly construct important buildings and infrastructure in the city. In some cases, voter approval was secured to finance some of these projects such as a bond to build a new high school:
 - New reuse water system
 - New wastewater treatment plant
 - All wastewater systems replaced (e.g., piping, etc.)
 - While the City had sidewalks on approximately 5% of its streets, approximately 80% of the city’s streets now have sidewalks. 95% of streets are now paved.
 - New schools (including a new High School).
 - New Quincy Valley Medical Center (hospital).
 - Quincy Public Market
 - New City Hall

- New Fire Station (which resulted in lower fire insurance rates for businesses and individuals and the ability to lend assistance to the surrounding area outside of Quincy).
 - New City of Quincy Public Safety and Policy Department.
- In the near future, Quincy will construct a Q Plex, a new indoor soccer facility, with four soccer fields and other amenities. Quincy anticipates this would bring hotels to the area and help with tourism.
- Similar property tax benefits have also been found in at least one other data center cluster found in other Eastern Washington communities.
 - East Wenatchee has a cluster of data centers.
 - An analysis of one parcel in East Wenatchee (Douglas County) indicates that the additional value data centers there add to the tax rolls is having the effect of driving down property tax levy rates:
 - 2023: \$9.82 per thousand
 - 2024: \$8.41 per thousand
 - 2025: \$7.82 per thousand
 - Two new data center campuses are in different stages of construction in East Wenatchee (Douglas County) and in Malaga (Chelan County). It is expected that this continued economic development will continue driving property tax levy rates significantly lower in these communities.
- In Quincy alone data centers have created approximately 900 jobs *directly*:
- In Washington, different organizations use different measures to describe the indirect impacts of data centers on jobs. The Tax Revenue & Economic Subgroup saw presentations where estimates ranged from 1 direct data center job helps create approximately 4 indirect jobs to 1 direct data center job helps create approximately 6 indirect and induced jobs.
- Centeris Data Center located in Puyallup is an urban, co-location multi-tenant data center has also made large investments in its data center which has benefitted the Puyallup area.
 - The Centeris data center was originally built to be a semiconductor manufacturing facility which was never occupied. The Benaroya Company purchased it in 2009 and converted it in 2010. As a result, the building received LEED Gold certification.
 - Centeris credits the non-rural data center tax incentive passed in the 2002 Legislative Session (ESHB 1846) as the reason:
 - Its property went from vacant to 100% occupied.
 - 130 union electricians were hired to be on-site throughout the 21-month project contributing approximately 275,000 hours.
 - Members of other union trades were hired to provide an additional 121,000 labor man hours to work on mechanical systems, carpentry, fire suppression, etc.

- Centeris' owner, The Benaroya Company, invested \$200 million into the facility since 2024, and its tenants have contributed millions into the local economy. Centeris has employees, contractors and vendors providing both direct and indirect positive economic impacts.
 - Centeris currently employs 21 full-time data center employees. All new employees receive compensation at least 125% above the per capita income of Pierce County, and Centeris contracts with third party vendors who use 50-100 employees to maintain its equipment.
 - Currently, Centeris employs 45 union personnel to keep its data center operating. In addition, Centeris employs other union personnel to provide additional support which averages about 20 employees per month.
 - Approximately 60% of Centeris' employees are military veterans.
 - Each of Centeris' tenants staff 5-10 full-time employees and the tenants engage the services of third parties to service the tenants' equipment.
- Centeris uses air for cooling and only uses water when the temperature exceeds a certain level. Even then, the water used is recycled and reused for cooling later. Centeris considers the level of water consumption *at this facility* as relatively low.
- Centeris has been recognized by several Pierce County-area organizations for improving the economic well-being of Pierce County and Washington State.
- *Minority Report*
 - [Name, Organization] What is it you object to and why?

Draft Finding T.5 Data Centers Pay State and Local Taxes – Washington Offers Limited Sales & Use Tax Exemptions.

- Under current law, there are two sets of data center sales and use tax exemptions on *eligible server equipment* and *eligible power infrastructure* in a qualifying data center:
 1. For Rural Data Centers: RCW 82.08.986 and RCW 82.12.986, and
 2. For Non-Rural Data Centers: RCW 82.08.9861 and RCW 82.12.9861.
- Both exemptions are limited:
 - Eligible server equipment includes things like the original server equipment installed in a data center, replacements of those servers, etc.
 - Eligible power infrastructure is limited to fixtures and equipment necessary for the management of electricity such as generators, wiring, cogeneration equipment, and other similar equipment.
 - Charges for labor to install both eligible server equipment and eligible power infrastructure are also exempt under these incentives.

- All other labor, services, and materials are subject to state and local sales tax. For example, the shell of a building and a data center's HVAC system are generally subject to state and local sales tax.
- Data centers are subject to state and local property taxes. There is no current property tax-related tax incentive for data centers in Washington State. Other states however offer state and/or local property tax incentives (e.g., Oregon, Ohio, Georgia, Indiana, etc.).
- *Minority Report*
 - [Name, Organization] What is it you object to and why?

Draft Finding T.14 Despite Data Center Tax Incentives' Limitations Offered to Data Centers and Data Center Tenants, Annual Survey Data Indicates Taxpayer Savings

- According to Department of Revenue's Annual Tax Preference Performance Report data, data centers and data center tenants reported taxpayer savings of approximately \$584 million over the last decade (2012-2023). In 2023, the most recent data available, tax exemptions totaled over \$118 million.
- *Minority Report*
 - [Name, Organization] What is it you object to and why?

Draft Finding T.6 Data Center Tax Incentives Not Available in All Counties

- Under current law, data centers constructed in the following counties and any tenants of those data centers are excluded from the data center sales and use tax incentives in RCW 82.08.986, RCW 82.12.986, RCW 82.08.9861 and RCW 82.12.9861:
 - Thurston
 - Kitsap
 - Whatcom
 - Clark
 - Benton
 - Spokane
- *Minority Report*
 - [Name, Organization] What is it you object to and why?

Finding T.7 Data Center Tax Incentives Require Sustainability Standards

- Beginning with new data center construction on or after June 9, 2022, a data center must be constructed meeting certain sustainability standards or other similar standards approved by the Department of Revenue. These standards do not require any specific level of energy efficiency.
- *Minority Report*

- [Name, Organization] What is it you object to and why?

DRAFT