

SUBJECT:	Creating temporary tax exemption for certain multi-user data centers
COMMITTEE:	Ways and Means — committee substitute recommended
VOTE:	<p>10 ayes — D. Bonnen, Y. Davis, Bohac, Button, Darby, Martinez Fischer, Murphy, Springer, C. Turner, Wray</p> <p>0 nays</p> <p>1 absent — Parker</p>
WITNESSES:	<p>For — Bryan Marsh, Digital Realty Trust, Inc.; Curt Holcomb, Jones Lang LaSalle; James Grice, Texas Data Center Coalition; (<i>Registered, but did not testify</i>: Chris Miller, AECT; Jon Weist, City of Irving; Robert Flores, Data Foundry, Inc.; Fred Shannon, Hewlett Packard; James LeBas, Rackspace)</p> <p>Against — None</p>
BACKGROUND:	<p>Tax Code, sec. 151.359 provides for a 15-year sales tax exemption for certain tangible personal property used in a qualifying data center project. A qualifying data center must:</p> <ul style="list-style-type: none">• be at least 100,000 square feet;• create at least 20 permanent, full-time jobs; and• have a capital investment by the owner or operator of at least \$200 million.
DIGEST:	<p>CSHB 2096 would create a temporary sales tax exemption for certain tangible personal property used in qualifying multi-user data centers, subject to most of the same provisions as the current data center exemption. A data center could be certified as a qualifying multi-use data center project if it:</p> <ul style="list-style-type: none">• created at least 5 permanent, full-time jobs; and

- had a total capital investment by the owner or operators of at least \$100 million over a five-year period.

If the total capital investment exceeds \$150 million, the sales tax exemption would last for 15 years after certification by the comptroller. Otherwise, the sales tax exemption lasts 10 years.

A person qualifying for a sales tax exemption under these provisions would be eligible to apply for a refund of the sales tax already paid for a taxable item eligible for the exemption, if the item was purchased either after the application for certification is submitted or 180 days before the data center was certified by the comptroller.

This bill would provide that a multi-user data center receiving the sales tax exemption would not be eligible to receive a Chapter 313 limitation in appraised value.

The bill would allow municipalities with a population of less than 35,000 to provide a qualifying multi-user data center with an exemption from municipal sales taxes.

A data center currently receiving a sales tax exemption under Tax Code, sec. 151.359 would be eligible to become a certified qualifying multi-user data center under the provisions in this bill.

The comptroller would be required to adopt rules to implement these provisions.

The bill would take effect September 1, 2015, and would not affect tax liability accruing before that date.

NOTES:

The Legislative Budget Board's fiscal note indicates that the bill would have a negative effect of \$22.2 million on general revenue related funds during fiscal 2016-17.