

FISCAL NOTE

June 26, 2017

Bill No:	HB 1558	Printer's No:	PN 2038	Sponsor:	Nesbit
-----------------	---------	----------------------	---------	-----------------	--------

COST / (SAVINGS)

Fund (s)	2016-17	2017-18
General Fund	"See Fiscal Impact"	"See Fiscal Impact"

SUMMARY: This legislation amends the Tax Reform Code (Act No. 2 of 1971) to provide a sales and use tax (SUT) exemption for computer data center (CDC) equipment.

ANALYSIS: This legislation would amend the computer data center equipment incentive program by providing for an exemption from SUT on the sale at retail or use of CDC equipment rather than the current refund.

A CDC is all, or part, of a facility that may be composed of one or more businesses, owners or tenants used to house working servers or similar data storage systems. It may include an uninterruptible energy supply, generator backup power, or both, cooling systems, towers and other temperature control infrastructure.

The exemption would include anything used to outfit, operate or benefit a computer data center and component parts, installations, refreshments, replacements and upgrades to the equipment, whether any of the equipment is affixed to, or incorporated into, real property. The bill also would exempt these purchases from the additional SUT in Philadelphia and Allegheny County.

To be considered for a tax exemption, the CDC would be required to submit an application to the Department of Revenue (DOR) containing biographical data and the amount of investment the CDC anticipates it will generate. If approved, the CDC would then enter a qualification period, which would last until the end of the fifteenth full calendar year following the calendar year in which the CDC was certified. The tax exemption would apply during the qualification period. There would be no new CDCs certified after December 31, 2029. The data center would retain its exemption regardless of transfer, sale or other disposition of the data center.

To be eligible for the exemption, the CDC owner or operator must meet the following requirements:

- A minimum of \$35 million in new investment if the CDC is located in a county of 250,000 or fewer individuals and \$60 million if above 250,000.
- One or more of the taxpayers operating or occupying a CDC must have a total annual payroll of at least \$1 million for the employees at the certified CDC for each subsequent year of certification on or before the 4th anniversary of certification.

FISCAL NOTE

June 26, 2017

DOR may require an owner or operator or a qualified tenant to file appropriate amended tax returns to reflect any recapture of the tax exemption.

This act shall take effect July 1, 2018.

FISCAL IMPACT: A SUT exemption for the sale at retail or use of CDC equipment for installation in a CDC would result in a General Fund revenue loss of \$18.3 million in fiscal year 18-19. The loss would continually increase over subsequent years.

HB 1558 PN 2038
Sales and Use Tax Exemption for Data Campus Inputs
Effective: July 1, 2018
(\$ millions)

	Impact from Repealing Data		
	SUT Impact	Center Tax Refund	Net Impact
2018-19	-23.3	5.0	-18.3
2019-20	-30.2	5.0	-25.2
2020-21	-35.8	5.0	-30.8
2021-22	-42.5	5.0	-37.5
2022-23	-50.4	5.0	-45.4