

STATEMENT OF PURPOSE

RS30126C1 / H0046

This is an amendment to Idaho Code 63-3622VV enacted by the 2020 Idaho Legislature as House Bill 521 which provides a sales tax exemption for new equipment purchased by qualifying data centers. It is also an amendment to the definition of “base assessment roll” found in Idaho Code 50-2903. These amendments provide that data centers that take advantage of the sales tax exemption and are located in an urban renewal district, will have their incremental property tax value included in the base assessment roll. If a data center does not take advantage of the sales tax exemption and is located in an urban renewal district, then the property data incremental value will be included in the urban renewal district. The bill provides for a mandatory communication of the exemption status to the county clerk by the fourth Monday in July so that the levy rate and property tax allocation can be timely set. It allows the Tax Commission to disclose this information. Enactment of this legislation fulfills the purpose of House Bill 521 which stated in its Statement of Purpose that “data centers significantly add to the property tax base wherever they are built...”

FISCAL NOTE

The exact impacts are not known but there would be an increase in revenue to either the State of Idaho, or the local property tax base. An increase to the base assessment roll would in turn lower the levy rate and lower property taxes for other properties in the affected districts. Examples: If a data center successfully claimed an exemption upon \$400 million in equipment the 6% sales tax exemption would be worth \$24 million. Future equipment purchases are subject to this exemption, once the exemption is selected. If servers were replaced after 5 years for example, for \$50 million, the \$3 million in sales tax would be exempt. A data center valued at \$600 million and subject to a levy rate of .0060 would likely pay 3.6 million a year. Whether that tax goes to the urban renewal district or local governments property tax base would depend upon whether the sales tax exemption is taken.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).