

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1654

Amendment Number: H1

Bill Subtitle: TO PROVIDE SALES AND USE TAX EXEMPTIONS FOR DATA CENTERS; AND TO PROVIDE A SALES AND USE TAX EXEMPTION FOR DATA CENTER EQUIPMENT, DATA CENTER COSTS, CERTAIN SERVICES PROVIDED TO A DATA CENTER, AND ELECTRICITY USED BY A DATA CENTER.

Basic Change :

Sponsors: Rep. Pilkington and Sen. J. Dismang

House Amendment No. 1 --- HB1654-H1 (engrossed H4/3/23) adds an eligibility requirement of a positive cost-benefit analysis from the Arkansas Economic Development Commission.

Original Bill --- HB1654 creates a new section, § 26-52-455, to provide a sales and use tax exemption for data center equipment, eligible data center costs, certain services, and electricity sold to a qualified data center.

To be eligible for the exemption, a data center must:

- Invest at least \$500,000,000 within five years of the issuance of a certificate of occupancy by the relevant local building authority;
- Pay an aggregate annualized compensation of at least \$1,000,000 to employees within the state;
- Apply and receive approval from the Arkansas Economic Development Commission (AEDC); and
- Certify annually to AEDC that it meets the minimum requirements of investment and compensation.

The exemption will be effective on the first day of the calendar quarter following the effective date of the act. For purposes of the revenue impact below, an effective date of October 1, 2023 is assumed.

Revenue Impact :

Revenue neutral.

Taxpayer Impact :

A qualified firm who owns or operates a qualified data center would no longer be responsible for paying sales tax on equipment, eligible data center costs, services purchased for the purpose of and in conjunction with developing, acquiring, constructing, expanding, renovating, refurbishing, and operating a qualified data center, and electricity used by a qualified data center.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

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Procedural Changes :

Updates to the Sales and Use Tax Rules will be promulgated.

Other Comments :

None.

Legal Analysis :

HB1654-H1 (engrossed H4/3/23) contains a drafting error on page 4 at line 18. The eligibility requirements are provided in subdivision (a)(4) of the section, rather than subdivision (a)(5).