

State of Arkansas *As Engrossed: H2/27/25 S3/20/25*

95th General Assembly

## A Bill

Regular Session, 2025

HOUSE BILL 1444

By: Representative Pilkington

By: Senator J. Dismang

### For An Act To Be Entitled

AN ACT TO AMEND THE SALES AND USE TAX EXEMPTION FOR  
DATA CENTERS; AND FOR OTHER PURPOSES.

### Subtitle

TO AMEND THE SALES AND USE TAX EXEMPTION  
FOR DATA CENTERS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 26-52-456 is amended to read as follows:  
26-52-456. Data centers – Definitions.

(a) As used in this section:

(1) “Data center equipment” means computer equipment, ~~or~~  
software, and related equipment and services purchased or leased either for  
immediate use or stored for future use in this state for the processing,  
storage, retrieval, or communication of data, including without limitation:

(A) A server, router, connection, and other enabling  
machinery, equipment, software, and hardware, regardless of whether the  
property is affixed to or incorporated into real property;

(B) Equipment used in the operation of a computer or  
computer software or for the benefit of a qualified data center or a  
qualified large data center, including without limitation a component part,  
installation, refreshment, replacement, and upgrade, regardless of whether  
the property is affixed to or incorporated into real property;

(C) Equipment necessary for the transformation,  
generation, distribution, storage, or management of electricity that is  
required to operate a computer server or other data center equipment,



1 including without limitation a substation, generator, uninterruptible energy  
2 equipment, supply, conduit, fuel piping and storage, cabling, duct bank,  
3 switch, switchboard, battery, testing equipment, and backup generator;

4 (D) Equipment necessary to cool and maintain a controlled  
5 environment for the operation of the computer servers and other components of  
6 the qualified data center or the qualified large data center, including  
7 without limitation a chiller, mechanical equipment, refrigerant piping, fuel  
8 piping and storage, adiabatic and free cooling system, cooling tower, water  
9 softener, air handling unit, indoor direct exchange unit, fan, ducting, and  
10 filter;

11 (E) Water conservation systems, including without  
12 limitation a facility or mechanism that is designed to collect, conserve, and  
13 reuse water;

14 (F) Computer server equipment, chassis, networking  
15 equipment, switches, racks, fiber optic and copper cabling, trays, and  
16 conduit;

17 (G) Conduit, ducting, and fiber optic and copper cabling  
18 that may be located outside the qualified data center or the qualified large  
19 data center that is directly related to connecting one (1) or more  
20 distributed qualified data center or qualified large data center locations;

21 (H) Monitoring equipment and security systems;

22 (I) Software;

23 (J) Other tangible personal property and intangible  
24 personal property that is essential to the operation of a qualified data  
25 center or a qualified large data center, excluding property used in the  
26 administration of the facility;

27 (K) Modular data centers and preassembled components of an  
28 item described in subdivisions (a)(1)(A)-(J) of this section, including  
29 without limitation components used in the manufacturing of modular data  
30 centers; and

31 (L) Labor services to install, apply, repair, service,  
32 alter, or maintain items described in subdivisions (a)(1)(A)-(K) of this  
33 section;

34 (2) "Eligible data center costs" means expenditures for the  
35 development, acquisition, construction, expansion, renovation, refurbishment,  
36 maintenance, and operation of a qualified data center or a qualified large

1 data center, including without limitation costs of land, buildings, site  
2 improvements, modular data centers, computer data center equipment  
3 acquisition and permitting, lease payments, site characterization and  
4 assessment, engineering, and design used directly and exclusively in a  
5 qualified data center or a qualified large data center;

6 (3) "Facility" means ~~one (1) or more contiguous~~ a tract or  
7 adjacent tracts of land in the state and any structure and tangible personal  
8 property contained on that land that is for the operation of a qualified data  
9 center or a qualified large data center;

10 (4) "Qualified data center" means a facility, including any  
11 addition to or expansion of the facility, that:

12 (A) Is developed, acquired, constructed, expanded,  
13 rehabilitated, renovated, repaired, or operated to house a group of networked  
14 computer servers in one (1) physical location or multiple ~~contiguous~~ adjacent  
15 locations ~~to centralize the storage, management, and dissemination of data~~  
16 ~~and information pertaining to a particular business or classification or body~~  
17 ~~of knowledge~~;

18 (B) Is owned or operated by a qualified firm that:

19 (i) Creates a qualified investment of at least ~~five~~  
20 ~~hundred million dollars (\$500,000,000)~~ within one hundred million dollars  
21 (\$100,000,000) at the facility no later than five (5) years ~~of the issuance~~  
22 ~~of a certificate of occupancy by the relevant local building authority after~~  
23 construction of the facility commences; and

24 (ii) Pays, directly or indirectly, an aggregate  
25 annualized compensation of at least one million dollars (\$1,000,000),  
26 including compensation paid by the contractors of the qualified firm, to  
27 ~~employees~~ individuals performing services within the state over the two (2)  
28 calendar years following the ~~commencement of~~ calendar year in which the  
29 facility commenced operations; and

30 (iii) Is not primarily engaged in adding  
31 transactions involving virtual currency to a distributed ledger at the  
32 facility; and

33 (C) *Has received a positive cost-benefit analysis from the*  
34 *Arkansas Economic Development Commission*;

35 (5) "Qualified firm" means a for-profit business establishment  
36 that is:

1 (A) Subject to state income, sales, or property taxes;

2 (B) The owner or operator of a qualified data center or a  
3 qualified large data center; and

4 (C) Engaged in data processing, storage, and  
5 dissemination; ~~and~~

6 (6) "Qualified investment" means, with respect to a qualified  
7 data center or a qualified large data center, the aggregate nonduplicative  
8 eligible data center costs expended by an entity with an interest in a  
9 qualified data center or a qualified large data center in the state; and

10 (7) "Qualified large data center" means a facility, including  
11 any addition to or expansion of the facility, that:

12 (A) Is developed, acquired, constructed, expanded,  
13 rehabilitated, renovated, repaired, or operated to house a group of networked  
14 computer servers in two (2) or more nonadjacent physical locations that are  
15 connected to each other by fiber and associated equipment required for  
16 operating a fiber transmission network between the location and upstream  
17 internet peering points for the qualified firm that owns or operates the  
18 facility and its affiliates;

19 (B) Is owned or operated by a qualified firm that:

20 (i) Creates a qualified investment of at least two  
21 billion dollars (\$2,000,000,000) at the facility no later than ten (10) years  
22 after construction of the facility commences;

23 (ii) Pays, directly or indirectly, an aggregate  
24 annualized compensation of at least three million dollars (\$3,000,000),  
25 including compensation paid by the contractors of the qualified firm, to  
26 individuals performing services within the state over the two (2) calendar  
27 years following the calendar year in which the facility commenced operations;  
28 and

29 (iii) Is not primarily engaged in adding  
30 transactions involving virtual currency to a distributed ledger at the  
31 facility; and

32 (C) Has received a positive cost-benefit analysis from the  
33 commission.

34 (b) The gross receipts or gross proceeds from the sale of the  
35 following are exempt from the gross receipts tax levied by this chapter and  
36 the compensating use tax levied by the Arkansas Compensating Tax Act of 1949,

1 § 26-53-101 et seq.:

- 2 (1) Data center equipment;
- 3 (2) Eligible data center costs;
- 4 (3) Services purchased for the purpose of and in conjunction
- 5 with developing, acquiring, constructing, expanding, renovating,
- 6 refurbishing, and operating a qualified data center or a qualified large data
- 7 center; and
- 8 (4) Electricity used by a qualified data center or a qualified
- 9 large data center.

10 (c)(1) A qualified firm shall submit an application for the exemption

11 provided under this section for a qualified data center or a qualified large

12 data center to the ~~commission~~ Department of Finance and Administration.

13 (2) Eligibility for the exemption under this section ~~is~~

14 ~~dependent~~ commences on:

15 (A) For a qualified data center, the minimum qualified

16 investment and aggregate compensation stated in subdivision (a)(4) of this

17 section being met within ~~five (5) years from the commencement of construction~~

18 ~~of the qualified data center~~ the time period required under subdivision

19 (a)(4) of this section; and

20 (B) For a qualified large data center, the minimum

21 qualified investment and aggregate compensation stated in subdivision (a)(7)

22 of this section being met within the time period required under subdivision

23 (a)(7) of this section.

24 (3)(A) Within thirty (30) days after receipt of a completed

25 application under this section, the ~~commission~~ department shall grant or deny

26 the application in whole or in part.

27 (B) If an application submitted under this section is

28 denied as incomplete and the qualified firm provides the additional

29 information or documentation required by the ~~commission~~ department or

30 otherwise completes its application within fifteen (15) days of the notice of

31 denial, the application shall be considered completed as of the original date

32 of submission.

33 (C) If a qualified firm fails to provide the information

34 or complete its application within the ~~fifteen-day cure~~ time period provided

35 in subdivision (c)(3)(B) of this section, the application shall remain denied

36 and may be resubmitted in full with a new submission date if the qualified

1 firm wants to proceed with the application.

2 (D) If an application is complete and meets the  
3 requirements of this section, the ~~commission~~ department shall certify that  
4 the qualified data center ~~that~~ or the qualified large data center is eligible  
5 for the exemption provided in this section.

6 (d)(1) Once an application is approved, the: ~~commission~~

7 (A) Department shall transmit an approved financial  
8 incentive certificate to the qualified firm; and

9 (B) Exemption provided in this section may be claimed by  
10 the qualified data center or the qualified large data center.

11 (2)(A) If, after a qualified data center is certified as being  
12 eligible for the exemption provided in this section, the qualified firm that  
13 owns or operates the qualified data center intends to own or operate  
14 additional facilities in this state that would meet the requirements of a  
15 qualified large data center when combined with the qualified data center that  
16 has been certified as being eligible for the exemption under this section,  
17 the qualified firm may request that the department recertify that the  
18 qualified data center together with the other facilities is eligible for the  
19 exemption provided under this section as a qualified large data center.

20 (B) If the department recertifies a qualified data center  
21 as a qualified large data center under subdivision (d)(2)(A) of this section,  
22 the department shall update the approved financial certificate to reflect the  
23 recertification.

24 (e)(1) After receiving an approved financial incentive certificate  
25 from the ~~commission~~ department, a qualified firm shall certify annually to  
26 the ~~commission~~ the qualified data center's minimum qualified investment and  
27 aggregate annualized compensation at the qualified data center during the  
28 preceding calendar year for the term of the financial incentive certificate  
29 department:

30 (1) For a qualified data center:

31 (A) When the minimum qualified investment required  
32 under subdivision (a)(4)(B)(i) of this section has been met; and

33 (B) For each calendar year in which the qualified  
34 firm is subject to the aggregate compensation requirement under subdivision  
35 (a)(4)(B)(ii) of this section, the aggregate annualized compensation at the  
36 qualified data center for the calendar year; and

1                   (2) For a qualified large data center:

2                   (A) When the minimum qualified investment required  
3 under subdivision (a)(7)(B)(i) of this section has been met; and

4                   (B) For each calendar year in which the qualified  
5 firm is subject to the aggregate compensation requirement under subdivision  
6 (a)(7)(B)(ii) of this section, the aggregate annualized compensation at the  
7 qualified large data center for the calendar year.

8                   ~~(2) All data reported to the commission under this subsection~~  
9 ~~shall be used only to determine eligibility.~~

10                  (f) If the aggregate annualized compensation at a qualified data  
11 center or a qualified large data center falls below the required aggregate  
12 compensation required under this section, the approved financial incentive  
13 certificate for the qualified firm that owns or operates the qualified data  
14 center or the qualified large data center shall be revoked.

15                  (g)(1) Except as provided in subdivision (g)(2) of this section, if a  
16 qualified large data center fails to meet the requirements of subdivision  
17 (a)(7)(B)(i) of this section, the approved financial incentive certificate  
18 for the qualified firm that owns or operates the qualified data center or the  
19 qualified large data center shall be revoked.

20                  (2)(A) Each facility within a qualified large data center that  
21 independently meets the requirements of a qualified data center under  
22 subdivision (a)(4) of this section continues to be eligible for an exemption  
23 under this section.

24                  (B) The department shall:

25                   (i) Certify each facility that independently meets  
26 the requirements of a qualified data center as being eligible for the  
27 exemption provided in this section; and

28                   (ii) Transmit an approved financial incentive  
29 certificate to the qualified firm that owns or operates the facilities that  
30 independently meet the requirements of a qualified data center.

31  
32                  SECTION 2. EFFECTIVE DATE. Section 1 of this act is effective on the  
33 first day of the calendar quarter following the effective date of this act.  
34

35                                   /s/Pilkington  
36