

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

ETA 3163.2011

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Qualifying Equipment under the Data Center Exemption

Purpose RCW 82.08.986 and 82.12.986 provide retail sales and use tax exemptions to “qualifying businesses of eligible server equipment to be installed, without intervening use, in an eligible computer data center, and to charges made for labor and services rendered in respect to installing eligible server equipment.” This exemption is commonly known as the “data center exemption.”

“The exemption also applies on sales to qualifying businesses of eligible power infrastructure, including labor and services rendered in respect to constructing, installing, repairing, altering, or improving eligible power infrastructure.”

This excise tax advisory (ETA) clarifies what equipment qualifies as eligible server equipment for purposes of the data center exemption and assumes that all other requirements provided in the statute have been met.

Definitions RCW 82.08.986 provides the following definitions which are incorporated by reference in RCW 82.12.986:

- “Eligible server equipment” is defined as “the original server equipment installed in an eligible computer data center on or after April 1, 2010, and replacement server equipment.”
- “Server equipment” is defined as “the server chassis and all computer hardware contained within the server chassis.”
- “Server” is defined as “blade or rack-mount server computers used in a computer data center exclusively to provide electronic data storage and data management services . . .”

RCW 82.04.215(1) defines a ”computer” as “an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions.”

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Do networking equipment and data storage devices qualify as eligible server equipment under this exemption?

“Networking equipment and data storage devices” includes, but is not limited to; such items as routers, switches, hard drives, and other devices used in data storage management.

In order to qualify as eligible server equipment, the networking equipment and data storage devices must meet the following two criteria:

- It must perform some processing function as part of its specialized communication and storage functions; and
 - It must be contained within a server chassis. Free standing networking equipment and/or data storage devices do not qualify.
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What happens if the networking equipment or data storage devices do not meet the two criteria?

If the networking equipment or data storage device does not meet both criteria, it does not qualify for the exemption and retail sales or use tax must be paid upon the purchase or use of the equipment.
