



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0424.01: Revise taxes for class 17 data center property**

Primary Sponsor: **Katie Zolnikov**

Status: **As Introduced**

☐ Included in the Executive Budget

☐ Needs to be included in HB 2

☐ Significant Local Gov Impact

☐ Significant Long-Term Impacts

☐ Technical Concerns

☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact

Department of Revenue

HB 424 broadens the type of property and construction eligibility window of property qualifying as class 17 -- qualified data centers -- property. This property receives a tax rate (assessment ratio) of 0.90%. The changes to class 17 types of property, and the construction window, do not affect the classification or taxation of any currently existing property in the state. There currently is only one facility in class 17. There is no direct fiscal impact to the state (or localities) as the class was not anticipated to expand during the fiscal window.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. Class 17 data center property in current law is a facility designed or modified to house networked computers or equipment supporting computing, networking, or data storage. To be classified as Class 17, a property must be at least 300,000 square feet, have a market value of over \$50 million, and be constructed after June 30, 2017. An existing property may qualify if it is expanded. The qualifying expansion must be over 25,000 square feet, and have a value of over \$50 million. This class of property must be assessed locally by the department's industrial appraisal unit. The tax rate is 0.9 percent.
2. HB 424 extends the period of class 17 eligibility of certain dedicated communications infrastructure from 15 to 25 years. The end of the class eligibility construction period is extended ten years (from July 1, 2027 to July 1, 2037). The ownership structure is amended to expanded and clarify the inclusion of wholly owned subsidiaries.
3. The bill also adds to class 17 certain qualifying electric generation and storage systems. These systems must direct at least 80% of their power for use by the facility itself on an annual basis. The threshold may be

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(continued)

waived in a declared emergency This type of property is generally is assessed as class 5 (rural telcom and electrical cooperatives (at a 3% rate), class 7 non-centrally assessed utilities (at a 8% rate), class 9 non-electric generating property of electric utilities (at a 12% rate), class 13 centrally assessed electric generating property (at a 6% rate), or as class 14 renewable energy production and transmission property (at a 3% rate).

4. The official revenue estimate (HJ2) does not anticipate any additional class 17 property, and therefore there is not anticipated to be any fiscal impact.
5. The classification, valuation and the processing of the facility reporting will be done as part of the department's current workcycle.



Sponsor's Initials

2/17/25

Date



Budget Director's Initials

2/14/2025

Date