



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: SB0540.01: Revise taxation of class 17 property

Primary Sponsor: Becky Beard 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><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact

SB 540 extends the construction eligibility window of property qualifying as class 17 property. It also clarifies which class 17 property is locally and centrally assessed. The changes do not affect the classification or taxation of any existing property in the state, and there is no anticipated growth in class 17 property over the forecast period.

FISCAL ANALYSIS

Assumptions

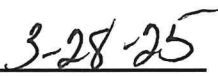
1. Under current law, class 17 property includes qualified data centers and dedicated communications infrastructure. Qualified data centers are locally assessed and dedicated communications infrastructure is centrally assessed. Dedicated communications infrastructure must commence construction before July 1, 2027 to qualify as class 17 property and is reclassified to class 13 property after 15 years. The tax rate is 0.90%.
2. SB 540 extends the construction commencement date for dedicated communications infrastructure to before July 1, 2037.
3. The bill also clarifies that dedicated communications infrastructure that is located in only one county is locally assessed. If the property extends to a contiguous county or state, it will be centrally assessed. Currently, any dedicated communications infrastructure would be centrally assessed but none exists.
4. Finally, SB 540 appears to create new qualifying requirements for certain data centers and dedicated communications infrastructure. It is unclear how these requirements reconcile with current criteria, and there are questions regarding alternate classifications and timing. See technical note.
5. There is no expected increase in class 17 property over the forecast period, so there is no fiscal impact from this bill.

Technical Concerns

1. Section 2, subsection 6 appears to create new requirements for certain data centers and dedicated communications infrastructure to qualify as class 17 property. The section states that, for construction commencing after July 1, 2025, these properties must exceed \$500 million in market value. It is unclear if this supersedes the size (at least 300,000 square feet) and value (at least \$150 million) requirements of new data centers in subsection (2)(a)(i).
2. It is unclear how this property should be classified before it reaches the \$500 million threshold.
3. New subsection (6)(c) directs the department to classify property as class 17 in the calendar year it reaches \$500 million. That could create timing issues. For example, if a data center reaches \$500 million in October, after the certification of values, the department would have to recertify the taxable value, which could result in large changes to the tax base. The problem would be more significant if the threshold is reached in late November or December after tax bills have been issued.



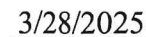
Sponsor's Initials



Date



Budget Director's Initials



Date