



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: HB0424.03 (006, 007): Revise taxes for class 17 data center property

Primary Sponsor: Katie Zolnikov Status: As Amended in House

- ☐ 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>
<b>Expenditures</b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>Revenues</b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>Net Impact</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>General Fund Balance</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### Description of fiscal impact

#### Department of Revenue

HB 424, as twice amended, broadens the type of property and construction eligibility window of property qualifying as class 17 -- qualified data centers -- property. It also amends the definition and adjusts the tax rate of certain class 13 property. This property receives a tax rate (assessment ratio) of 0.90%. The changes to class 13 and 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 class 17 and associated class 13 property is not anticipated to expand during the fiscal window.

### FISCAL ANALYSIS

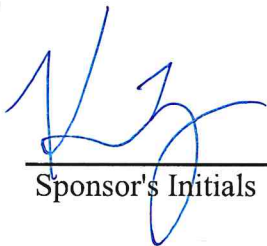
#### Assumptions

#### Department of Revenue

- 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.
- HB 424 adds to class 17 certain qualifying electric generation and storage systems and decreases the period of class 17 eligibility of certain dedicated communications infrastructure and qualifying electrical generation systems from 15 to 10 years. After ten years, these properties would be reclassified as class 13 property but taxed at 3% (half the class 13 rate of 6%) for ten more years. It would then be taxed at the full class 13 rate

of 6% going forward. These properties must commence construction before July 1, 2037 (from July 1, 2027 under current law) to receive class 17 status. If it is constructed after that date, it is classified as class 13 but still receives the 3% tax rate for ten years.

3. To qualify as class 17, electric generation and storage systems must direct at least 80% of their power for use by the facility itself on an annual basis. The threshold may be waived in a declared emergency. The amendment also clarifies that any electricity sold to a public utility or electric cooperative may not exceed the cost of production. This type of property is generally is assessed as class 5 (rural telecom 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.

  
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