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S.F. No. 4983 – Modification to sales tax exemption for data centers (as proposed to be amended by the A-3 amendment)

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Under current law, sales and purchases of certain equipment, software, and electricity used in a qualified data center or qualified refurbished data centers is exempt. Sales tax must be paid upfront and then refunded. This bill provides for large-scale data centers that meet additional criteria to claim the exemption upfront.

Section 1. Data centers.

Paragraph (a) adds a qualified large-scale data center to the exemption under current law for sales and purchases of enterprise information technology equipment and computer software used in a qualified data center or qualified refurbished data center. Strikes language regarding refundability of the tax on qualifying sales and purchases, as this provision is re-stated in paragraph (b).

Paragraph (b) specifies that, for a qualified data center and qualified large-scale data center, the sales tax on exempt purchases must be paid upfront and then refunded under provisions of current law.

Paragraph (c) specifies that qualifying sales to and purchases by a qualified large-scale data center are exempt upfront.

Paragraph (d) adds a qualified large-scale data center to the exemption under current law for electricity used or consumed in the operation of a qualified data center or qualified refurbished data center.

Paragraph (e) adds a qualified large-scale data center to the definition of “computer software” eligible for the exemption.

Paragraph (g) adds a qualified large-scale data center to the definition of “enterprise information technology equipment” eligible for the exemption.

Paragraph (h) defines “qualified large-scale data center” as a facility located in Minnesota:

- that is comprised of one or more buildings connected by fiber and associated equipment that consist in the aggregate of at least 25,000 square feet in one physical location or multiple locations; and
- for which the total cost of construction or refurbishment, enterprise information technology equipment, and computer software is at least \$250 million between the facility and its tenants in a 60-month period beginning after June 30, 2024.

Paragraph (j) allows a qualified large-scale data center to claim the exemption until July 1, 2059.

Paragraph (l) specifies that the existing exemption for a qualified data center or qualified refurbished data center is effective for sales and purchases made before July 1, 2042.

Paragraph (m) adds a qualified large-scale data center to the commissioner of DEED’s certification requirements, which include total square footage, total amount of construction or refurbishment, enterprise information technology equipment, and computer software, the beginning and end dates of the applicable period in which qualifying sales and purchases are exempt, and the date that the facility met the requirements of the definition of qualified data center, qualified refurbished data center, or qualified large-scale data center. Corrects cross references.

Paragraph (n) specifies that refunds on qualifying purchases by a qualified data center or qualified refurbished data center must not be paid until the commissioner of revenue has received certification from the commissioner of DEED described in paragraph (m) above. Corrects cross references.

Paragraph (o) adds qualified large-scale data centers to the facilities about which the commissioner of DEED must notify the commissioner of revenue when the facility is projected to meet the requirements of paragraph (h). Corrects cross references.

Paragraph (p) specifies that prevailing wage requirements under current law apply to laborers and mechanics who perform work on a qualified data center, qualified refurbished data center, or qualified large-scale data center.

Section 2. Tax collected. Specifies that the sales tax refund provisions under current law apply to qualified data centers and qualified refurbished data centers.

Effective for sales and purchases beginning after June 30, 2024.