

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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Data Center Exemption Durations

Introduction

RCW 82.08.986 and RCW 82.12.986 provide retail sales and use tax exemptions, respectively, on the purchase and installation of both server equipment and power infrastructure in a qualifying computer data center located within a rural¹ county (“rural data center”). RCW 82.08.9861 and RCW 82.12.9861 provide similar retail sales and use tax exemptions for a qualifying computer data center located in an urban county with a population over 800,000 (“urban data center”).

These laws are collectively known as the “data center statutes,” and the applicable exemptions are commonly referred to as the “data center exemptions.” How long a data center exemption lasts (the “duration”) for a taxpayer depends on the following:

- Whether the data center is a rural or urban data center;
- When data center construction commenced;
- The type of equipment involved; and
- Whether the applicant is a data center owner² or tenant.

This Excise Tax Advisory (ETA) provides the various durations and expirations of the data center exemptions in light of these considerations, which are stated in the table at the end of the ETA.

¹ “Rural county” is defined as a county with a population density of less than 100 persons per square mile or a county smaller than 225 square miles. RCW 82.14.370(5).

² The data center statutes refer to owners of eligible data centers as “qualifying businesses,” as opposed to qualifying tenants.

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**Duration
Considerations**

While the Legislature enacted the urban data center exemptions in 2022, it originally enacted the rural data center exemptions in 2010 and then amended them multiple times. Each amendment renewed and/or extended the expiration dates of the rural data center exemptions.

Several factors affect the duration of a data center exemption:

- *Commencement of Construction*
The date on which construction of the data center began affects the duration of the rural data center exemptions. The data center statutes provide three specific windows based on when construction of the rural data center began:

Window	Construction began	
	After	and Before
1	March 31, 2010	July 1, 2011
2	March 31, 2012	July 1, 2015
3	June 30, 2015	July 1, 2035

The urban data center exemptions are not subject to any construction windows.

- *Equipment Type*
Whether a taxpayer has purchased and installed server equipment or power infrastructure affects the duration of an exemption, and the expiration dates may differ between these two types of equipment. Whether server equipment is original or replacement equipment also affects the duration of an exemption.
- *Ownership*
In some circumstances, whether the purchaser is the owner or a tenant of the data center affects the duration of the server equipment exemptions.

The table below describes how these considerations affect the duration of an exemption.

**Exemption
Expiration Dates**

This table details the expiration date for each type of exemption in the data center statutes. Initial exemption certificates expire within two years unless construction of the data center is complete.³

Data center classification:	Qualifying owner		Qualifying tenant		Qualifying owner or tenant
	Original server equipment	Replacement server equipment	Original server equipment	Replacement server equipment	Original power infrastructure
Rural Window 1 (04/01/2010-06/30/2011)	Jan. 1, 2026	Apr. 1, 2018	July 1, 2048	12 years after date of cert. of occupancy ⁴ or refurbishment ⁵	July 1, 2048
Rural Window 2 (04/01/2012-06/30/2015)	Jan. 1, 2026	Apr. 1, 2024	July 1, 2048	12 years after date of cert. of occupancy or refurbishment	July 1, 2048
Rural Window 3 (07/01/2015-06/30/2035)	July 1, 2048	12 years after date of cert. of occupancy or refurbishment	July 1, 2048	12 years after date of cert. of occupancy or refurbishment	Jul 1, 2048
Urban ⁶ (06/09/2022-06/30/2028)	July 1, 2038	June 9, 2032	June 9, 2032	<i>If equipment previously qualified for exemption: July 1, 2027 If replacing server equipment in a data center that previously did not qualify for exemption, but later qualifies through refurbishment: 12 years after date of cert. of occupancy or refurbishment</i>	July 1, 2038

³An initial 2-year certificate is granted after application and is extended to the dates on the table after completion of construction. Data centers still under construction after 2 years may apply for an extension of the initial certificate.

⁴ Local authorities issue certificates of occupancy for the new construction of or renovations to a data center.

⁵ The refurbishment of a data center consists of a substantial improvement to update or modernize servers, server space, ventilation, or power infrastructure. A limit of six eligible rural data centers may qualify each year through refurbishment.

⁶ The number of urban data center *owner* applications is limited to six for calendar year 2022, zero in calendar year 2023, and six per calendar year 2024 through 2027. RCW 82.08.9861(2)(c)(i). There is no limit on the number of urban data center *tenant* applications. 2027 is the last year for eligible urban data center *owners* to apply. No new exemption certificates will be issued for either urban data center *owners* or *tenants* after June 30, 2028. RCW 82.08.9861(1)(c).