

Subject Data centers sales and use tax exemption modified

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Overview

Under current law, sales and purchases of certain equipment, software, and electricity used in a qualified data center or qualified refurbished data center are exempt. For purchases of equipment and software, the sales tax is paid upfront and then refunded, however for purchases of electricity, the sales tax is exempt upon purchase and no refund of tax paid is necessary.

This bill makes the following changes to the current exemption:

- establishes “large-scale data centers” as a new category of centers eligible for the current exemption;
- allows the exemption for equipment and software purchased by a large-scale data center to be an upfront exemption, rather than refundable; and
- specifies that the expiration of the exemption under current law (July 1, 2042) only applies to qualified data centers or qualified refurbished data centers, and not to the new large-scale data centers.

These changes are effective for sales and purchases beginning after June 30, 2025.

Summary

Section	Description
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1	Data centers.
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	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. Strikes language regarding refundability of the tax on qualifying sales and purchases, as this provision is restated in paragraph (b).
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Paragraph (b) specifies that, for a qualified data center and qualified refurbished 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 (f) provides technical cross-reference changes.

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

Paragraph (h) provides a definition of “qualified large-scale data center.” Defines a qualified large-scale data center as a facility 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 \$250,000,000 between the facility and its tenants in a 60-month period beginning after June 30, 2025.

Paragraph (i) provides a technical relettering of paragraphs.

Paragraph (j) specifies that for qualified data centers and qualified refurbished data centers only, the exemptions provided by this subdivision expire July 1, 2042.

Paragraph (k) modifies cross-references and specifies that the Department of Employment and Economic Development (DEED) requirements in current law apply to certification of qualified data centers and qualified refurbished data centers.

Paragraph (l) modifies cross-references for purposes of issuance of refunds for qualified data centers and qualified refurbished data centers.

Paragraph (m) adds requirements for DEED’s certification of qualified large-scale data centers to receive an upfront exemption, including verification that a qualified large-scale data center meets the requirements in paragraph (h). Requires the

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commissioner of DEED to notify the commissioner of revenue of its findings within 30 days of certification. The notification must include an estimate of the beginning and end period of sales and purchases eligible for an upfront exemption.

Requires the commissioner of revenue to notify the data center seeking the exemption within ten days of notice of certification whether the upfront exemption applies. Purchases made before the commissioner of revenue's notification do not qualify for the upfront exemption, but may qualify for the exemption under current law for qualified data centers and qualified refurbished data centers.

Paragraph (n) adds qualified large-scale data centers to the entities included in the report required by DEED for data centers that are projected to meet the requirements under paragraph (h) in the next four years and corrects cross-references.

Paragraph (o) 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.

Paragraph (p) requires large-scale data centers to certify to the commissioner of DEED within three years of beginning operations that the facility has attained certification under one or more of several named sustainable design or green building standards.

Paragraph (q) requires large-scale data centers to repay the amount of any exemption received if the commissioner of DEED determines the center has not met the requirements of paragraph (p). States that this paragraph does not prevent the commissioner of revenue from making assessments under provisions of current law if the large-scale data center is determined to be ineligible for the upfront exemption.

2 **Tax collected.**

Specifies that the sales tax refund provisions under current law apply to qualified data centers and qualified refurbished data centers that receive refundable exemptions for taxes paid on software and equipment.



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