

Multiple Agency Fiscal Note Summary

Bill Number: 6231 S SB PL	Title: Data center tax exemptions
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Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	63,000,000	63,000,000	63,100,000	140,480,000	140,480,000	143,900,000	151,220,000	151,220,000	154,888,000
Total \$	63,000,000	63,000,000	63,100,000	140,480,000	140,480,000	143,900,000	151,220,000	151,220,000	154,888,000

Agency Name	2025-27		2027-29		2029-31	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Total		19,998,000		45,540,000		49,005,000
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		19,998,000		45,540,000		49,005,000

Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	1.1	419,200	419,200	419,200	1.7	672,000	672,000	672,000	.0	0	0	0
Total \$	1.1	419,200	419,200	419,200	1.7	672,000	672,000	672,000	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Tyler Lentz, OFM	Phone: (360) 790-0055	Date Published: Final 3/25/2026
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Department of Revenue Fiscal Note

Bill Number: 6231 S SB PL	Title: Data center tax exemptions	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		63,000,000	63,000,000	140,480,000	151,220,000
Multimodal Transportation Account-State 01 - Taxes 01 - Retail Sales Tax				3,190,000	3,424,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		100,000	100,000	230,000	244,000
Total \$		63,100,000	63,100,000	143,900,000	154,888,000

Estimated Expenditures from:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.1	2.1	1.1	1.7	
GF-STATE-State 001-1	17,900	401,300	419,200	672,000	
Total \$	17,900	401,300	419,200	672,000	

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 03/16/2026
Agency Preparation: Tom Gilmore	Phone: (605) 360-534-1559	Date: 03/17/2026
Agency Approval: Marianne McIntosh	Phone: (605) 360-534-1505	Date: 03/17/2026
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 03/17/2026

Request # 6231-4-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Note: This fiscal note reflects language in ESSB 6231 as passed in the 2026 Legislative Session.

CURRENT LAW:

RURAL COUNTY DATA CENTERS

A retail sales and use tax exemption exists for qualified purchases of eligible server equipment and eligible power infrastructure for data centers located in a rural county. The exemption also includes charges for labor and services associated with installing the equipment and power infrastructure.

To qualify, a facility must meet the employment and facility-size requirements. In addition, for exemption certificates issued on or after June 9, 2022, qualifying businesses operating newly constructed data centers must attain certification for sustainable design or green building standards.

Effective June 9, 2022, there is no limit on the number of exemption certificates that may be issued for new computer data centers, and each year the Department of Revenue (department) may issue up to six certificates for data centers qualifying through refurbishment. Certificates for refurbishment are available on a first-in-time basis, based on when the department receives the application, and a qualifying business may apply for only one certificate for a refurbished data center each calendar year.

No new exemption certificates may be issued on or after July 1, 2036, and the exemptions expire July 1, 2048.

An eligible computer data center must:

- Be located in a rural county when an application for an exemption is received.
- Have at least 20,000 square feet dedicated to housing working servers.
- Commencement of construction occurs after March 31, 2010, and before July 1, 2035, excluding July 1, 2011, through March 31, 2012.

Eligible server equipment requirements for qualifying businesses and tenants include:

- The original server equipment must be installed in an eligible data center.
- Replacement servers must replace existing server equipment if the original server equipment qualified for this exemption, and it must be installed and put into regular use no later than 12 years after the date of the certificate of occupancy or completion of refurbishment of the data center.

DATA CENTERS IN COUNTIES WITH POPULATIONS OVER 800,000 - ELIGIBLE SERVER EQUIPMENT AND POWER INFRASTRUCTURE:

A retail sales and use taxes exemption exists for qualified purchases of eligible server equipment and eligible power infrastructure for data centers located in a county having a population of over 800,000. The exemption also includes charges for labor, material, equipment, and services associated with installing the server equipment and power infrastructure.

The department may approve six exemption applications:

- Calendar year 2022 (the first calendar year of the exemption).
- Calendar years 2024 through 2027 (calendar year three through calendar year six of the exemption).
- No applications may be approved in calendar year 2023 (year two).

Program requirements:

- To qualify, a facility must meet employment and facility size requirements. In addition, qualifying businesses operating newly constructed data centers must attain certification for sustainable design or green building standards.
- The qualifying business must have a minimum of 1.5 megawatts of available power.
- A qualifying tenant must have a minimum electrical capacity of 150 kilowatts for server and computer equipment in a qualifying business. Tenants that previously qualified under the rural county data center program must reapply if they intend to expand into a qualifying business.
- An "eligible computer data center" must have at least 20,000 square feet dedicated to housing working servers.

Eligible server equipment requirements for qualifying businesses:

- Original server equipment installed in an eligible data center on or after June 9, 2022.
- Replacement servers replace existing server equipment if the original server equipment qualified for this exemption and is installed and put into regular use 10 years of June 9, 2022.
- Eligible server equipment requirements for qualifying tenants: original server equipment installed within the space leased in an eligible data center on or within 10 years of June 9, 2022. Replacement servers replace qualifying server equipment installed and put into regular use prior to July 1, 2027.
- Replacing existing equipment in a qualifying data center must meet the following requirements: must be refurbished and possess a valid certificate.
- Equipment must be installed and put into regular use no later than 12 years after the date of the certificate of occupancy or completion of refurbishment of the data center.

No new exemption certificates may be issued on or after July 1, 2028. The exemptions expire July 1, 2038.

PROPOSAL:

This bill expires existing retail sales and use taxes refurbishment certificates, and prevents the department from issuing new refurbishment certificates on or after July 1, 2026.

This bill removes replacement server equipment from the definition of eligible server equipment. Replacement server equipment is subject to retail sales and use taxes effective July 1, 2026.

EFFECTIVE DATE:

This bill takes effect on July 1, 2026

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- Based on exemption certificates issued since calendar year 2022:
 - For rural counties, a total of three certificates for new data centers will be issued from fiscal year 2027 through fiscal year 2031, the last year covered in this fiscal note.
 - For non-rural counties, only one certificate will be issued from fiscal year 2027 through fiscal year 2028, the period impacted by the proposal.
- Original server equipment will be installed within four years after the certificate's effective date.
- Rural county data centers with server expiration dates of January 1, 2026, are assumed to apply for a refurbishment certificate to replace their server equipment. Most of this equipment is expected to be replacement servers, rather than original equipment, as the data centers are already established.
- Approximately 70% of the reported taxpayer savings relate to replacement server purchases.
- Local revenue estimates use the weighted average sales and use tax rate of 2.1% based on data center locations.
- Currently, tribes with compacts receive a share of state sales and use taxes and certain business and occupation taxes

(RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use taxes. Under this legislation, the amount of revenue shared with tribes and local governments may increase.

- The department receives the taxes from monthly taxpayers the month after the business collects the sales tax from the consumer. Most local tax distributions occur the month after the department receives sales and use taxes that businesses collect. This leads to a one-month delay in revenue impacts for the state and a two-month delay for local jurisdictions.
- This legislation takes effect July 1, 2026, and impacts 11 months of state collections and 10 months of local collections in fiscal year 2027.

DATA SOURCES:

- Department of Revenue, Data center data
- Barth, Adam, et al. "The Data Center Balance: How US States Can Navigate the Opportunities and Challenges." McKinsey & Company, 8 Aug. 2025, www.mckinsey.com/industries/public-sector/our-insights/the-data-center-balance-how-us-states-can-navigate-the-opportunities-and-challenges#.
- "Opening the Stargate: Tech Giants to Invest \$500B in AI Data Center Infrastructure." DataCenterKnowledge, 2025, www.datacenterknowledge.com/ai-data-centers/opening-the-stargate-tech-giants-to-invest-500b-in-ai-data-center-infrastructure.
- "New Data Center Developments: March 2025." DataCenterKnowledge, 2025, www.datacenterknowledge.com/data-center-construction/new-data-center-developments-march-2025. - Satz, Jackson. "[2025] Big Tech Data Center Construction Update | BuildCentral | Powered by Hubexo." BuildCentral | Powered by Hubexo, 11 Oct. 2021, www.buildcentral.com/data-center-construction/.

REVENUE ESTIMATES

This bill increases state revenues by an estimated \$63.1 million in fiscal year 2027, the first full year of impacted collections.

This bill also increases local revenues by an estimated \$20.2 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 0
FY 2027 -	\$ 63,100
FY 2028 -	\$ 70,900
FY 2029 -	\$ 73,000
FY 2030 -	\$ 75,200
FY 2031 -	\$ 79,688

Local Government, if applicable (cash basis, \$000):

FY 2026 -	\$ 0
FY 2027 -	\$ 20,200
FY 2028 -	\$ 22,700
FY 2029 -	\$ 23,300
FY 2030 -	\$ 24,000
FY 2031 -	\$ 25,500

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

This bill affects approximately 60 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$17,900 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 0.11 FTE.

- Create a special notice and update relevant information on the department’s website.

Object Costs - \$3,900.

- Computer system changes, including contract programming.
- Printing and postage

SECOND YEAR COSTS:

The department will incur total costs of \$401,300 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 2.14 FTEs.

- Amend two excise tax advisories.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Gathering requirements, attending implementation meetings, and documenting and testing system changes.
- Engage in Tribal consultation.

Object Costs - \$71,000.

- Travel expenses for meetings with tribes.

THIRD YEAR COSTS:

The department will incur total costs of \$471,800 in fiscal year 2028. These costs include:

Labor Costs – Time and effort equate to 2.6 FTEs.

- Continue to examine accounts, process tax return work items, and assist taxpayers.
- Engage in Tribal consultation.

Object Costs - \$71,000.

- Travel expenses for meetings with tribes.

FOURTH YEAR COSTS:

The department will incur total costs of \$200,200 in fiscal year 2029. These costs include:

Labor Costs – Time and effort equate to 0.8 FTE.

- Engage in Tribal consultation.

Object Costs - \$71,000.

- Travel expenses for meetings with tribes.

ONGOING COSTS:

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There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.1	2.1	1.1	1.7	
A-Salaries and Wages	8,900	212,400	221,300	349,100	
B-Employee Benefits	3,200	76,500	79,700	125,600	
C-Professional Service Contracts	3,700		3,700		
E-Goods and Other Services	1,700	32,900	34,600	50,000	
G-Travel		71,000	71,000	142,000	
J-Capital Outlays	400	8,500	8,900	5,300	
Total \$	\$17,900	\$401,300	\$419,200	\$672,000	

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
ADM ASST 5	63,246		0.2	0.1	0.2	
EMS BAND 4	139,704		0.0	0.0		
EMS BAND 5	163,205		0.1	0.1	0.2	
EXCISE TAX EX 3	67,992		0.1	0.1	0.1	
IT B A-JOURNEY	97,570		0.2	0.1		
MGMT ANALYST4	80,822		0.1	0.1	0.1	
TAX POLICY SP 2	82,874	0.1	0.0	0.0		
TAX POLICY SP 3	93,800	0.0	0.0	0.0		
TAX POLICY SP 4	100,981		1.1	0.6	0.9	
WMS BAND 2	100,662	0.0		0.0		
WMS BAND 3	114,564		0.3	0.2	0.4	
Total FTEs		0.1	2.1	1.1	1.7	

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 6231 S SB PL	Title: Data center tax exemptions
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: Increase in retail sales tax revenue
- Counties: Increase in retail sales tax revenue
- Special Districts: Increase in retail sales tax revenue
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2026	FY 2027	2025-27	2027-29	2029-31
City		6,005,210	6,005,210	13,675,230	14,715,737
County		7,576,167	7,576,167	17,252,659	18,565,361
Special District		6,416,623	6,416,623	14,612,111	15,723,902
TOTAL \$		19,998,000	19,998,000	45,540,000	49,005,000
GRAND TOTAL \$					114,543,000

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Jordan Laramie	Phone: 360-725-5044	Date: 03/20/2026
Leg. Committee Contact:	Phone:	Date: 03/16/2026
Agency Approval: Tammi Alexander	Phone: 360-725-5038	Date: 03/20/2026
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 03/25/2026

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This fiscal note reflects language in ESSB.PL 6231 of the 2026 legislative session, compared to ESSB 6231.

CHANGES FROM PRIOR BILL VERSION:

No amendments were made between the prior bill version and the current bill version.

SUMMARY OF CURRENT BILL VERSION:

This bill would:

- Repeal the retail sales and use tax exemption for refurbishment of an existing computer data center.
- Make purchases of replacement server equipment ineligible for a retail sales and use tax exemption.

Replacement server equipment is removed from the definition of eligible server equipment, making purchases of replacement server equipment ineligible for a retail sales and use tax exemption.

Data Centers in counties with populations over 800,000 do not qualify for a retail sales and use tax exemption for computer data centers refurbished on or after July 1, 2026. Replacement server equipment is removed from the definition of eligible server equipment, making purchases of replacement server equipment ineligible for a retail sales and use tax exemption.

This act would go into effect 90 days after the adjournment of the session in which it is passed.

CHANGES FROM PRIOR BILL VERSION:

No amendments were made between the prior bill version and the current bill version.

SUMMARY OF CURRENT BILL VERSION:

This bill would:

- Repeal the retail sales and use tax exemption for refurbishment of an existing computer data center.
- Make purchases of replacement server equipment ineligible for a retail sales and use tax exemption.

Replacement server equipment is removed from the definition of eligible server equipment, making purchases of replacement server equipment ineligible for a retail sales and use tax exemption.

Data Centers in counties with populations over 800,000 do not qualify for a retail sales and use tax exemption for computer data centers refurbished on or after July 1, 2026. Replacement server equipment is removed from the definition of eligible server equipment, making purchases of replacement server equipment ineligible for a retail sales and use tax exemption.

This act would go into effect 90 days after the adjournment of the session in which it is passed.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

CHANGES FROM PRIOR BILL VERSION:

No amendments were made between the prior bill version and the current bill version.

EXPENDITURE IMPACT OF CURRENT BILL VERSION:

This bill would not impact local government expenditures because no action is required.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

CHANGES FROM PRIOR BILL VERSION:

No amendments were made between the prior bill version and the current bill version.

REVENUE IMPACT OF CURRENT BILL VERSION:

This bill would remove replacement server equipment from the definition of eligible server equipment. Replacement server equipment is subject to retail sales and use taxes effective July 1, 2026.

According to the Department of Revenue (DOR) this bill would increase local revenues by an estimated \$20.2 million in the first full year of collections in fiscal year 2027. The net effect of this legislation would be an increase of \$114.5 million in revenue in the passed legislature version engrossed substitute from fiscal year 2027 to fiscal year 2031.

Please see the DOR fiscal note for a complete list of their data sources and assumptions.

REVENUE INCREASE BREAKDOWN

Counties:

FY 2026	\$0
FY 2027	\$7,576,167
FY 2028	\$8,513,812
FY 2029	\$8,738,847
FY 2030	\$9,001,387
FY 2031	\$9,563,974

Cities:

FY 2026	\$0
FY 2027	\$6,005,210
FY 2028	\$6,748,429
FY 2029	\$6,926,801
FY 2030	\$7,134,903
FY 2031	\$7,580,834

Special Districts:

FY 2026	\$0
FY 2027	\$6,416,623
FY 2028	\$7,210,759
FY 2029	\$7,401,352
FY 2030	\$7,623,710
FY 2031	\$8,100,192

Total: \$114,543,000

METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2025. Distributions in 2025 were 37.88 percent to counties, 30.03 percent to cities, and 32.09 percent to special districts. A one percent DOR administrative fee has been deducted from the total.

SOURCES:

Department of Revenue Fiscal Note, ES SB 6231 (2026)
Department of Revenue Local Tax Distributions (2025)
Local Government Fiscal Note Program, Local Sales Tax model (2026)

