

Changes in Requirements for a Qualified Data Center

Requirements for Qualified Data Centers Are Amended

The Tennessee General Assembly recently passed legislation (Public Chapter 1001 (2016)) amending the requirements for a qualified data center, effective July 1, 2016.

Under the amended law, the taxpayer, in order to be considered as a qualified data center, must do the following over a three-year investment period:

- 1) make a capital investment of more than \$100,000,000 in real property, tangible property or computer software, and
- 2) create at least 15 new full-time permanent jobs paying at least 150% of the state average occupational wage with minimal health care.

Prior to July 1, 2016, the required capital investment was \$250,000,000 and the requirement for new jobs created during the investment period was at least 25 jobs.

New Items Have Been Added to the Exemption

Beginning July 1, 2016, qualified data centers may make purchases of cooling equipment and backup power infrastructure exempt from sales and use tax. Backup power infrastructure includes backup power generation, battery systems and related infrastructure. Cooling equipment includes cooling systems, cooling towers and other temperature control infrastructure.

Sales and use tax exemptions for qualified data centers available prior to July 1, 2016, are still available for computers, computer networks, computer software, or computer systems, and peripheral devices such as printers, plotters, external disc drives, modems, and telephone units, that are used in the operation of the data center. Qualified data centers also continue to be taxed at the reduced sales tax rate of 1.5% on their purchases and use of electricity.

New Application for Qualified Data Center Sales and Use Tax Exemption Certificate

A new [application](#) with instructions is available on the Department's website to receive the certificate authorizing the taxpayer to make qualifying purchases for use in the operation of a qualified data center exempt from sales and use tax.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Tenn. Code Ann. § 67-6-102, Tenn. Code Ann. § 67-6-206