

Fiscal Estimate Narratives

DOR 6/2/2023

LRB Number	23-0422/1	Introduction Number	AB-0302	Estimate Type	Original
Description a sales and use tax exemption for data center equipment or software					

Assumptions Used in Arriving at Fiscal Estimate

The bill provides sales/use tax exemptions for certain items purchased for use at a qualified data center (as determined by WEDC). The exemption first applies to "eligible data center costs" made after effective date of the bill. The bill has certain parameters for a "qualified data center" related to minimum investments, location, and ownership.

As a result, the forgone sales tax revenue depends on the parameters of future Wisconsin data center projects. Assuming a project fits the parameters outlined in the bill, the following is an example of the forgone sales tax revenue for a single "typical" datacenter project.

Based on information from the US Chamber of Commerce, capital expenditures for a typical data center are approximately \$215.5M. Among that amount IT equipment makes up \$157.1M and building construction makes up \$45.0M. Annual operating expenses are estimated to be \$18.5M. After adjusting for items that would be otherwise subject to sales tax, the department estimates a sales tax decrease of \$8.5 million related to initial construction and an ongoing sales tax reduction of \$735,000. Assuming the IT equipment is replaced on a 5-year schedule, sales tax would decrease by an additional \$1.6 million on an annualized basis when equipment replacement begins.

County sales tax collections would decrease compared to current law depending on the size and location of a qualified data center.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-0422/1	Introduction Number AB-0302	
Description a sales and use tax exemption for data center equipment or software		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$See Text
Agency/Prepared By		
Authorized Signature		Date
DOR/ Travis Arthur (608) 266-8565		Robert Schmidt (608) 266-5773
		6/2/2023