

# COMPUTER DATA CENTER PROGRAM

(ESTABLISHED UNDER A.R.S §41-1519)

## SUMMARY

The Arizona Legislature in 2013 established the Computer Data Center program (the Program). The objective of the Program is to encourage computer data center (CDC) operation and expansion in Arizona. The Program accomplishes this objective by providing Transaction Privilege Tax (TPT) and Use Tax Exemptions at the state, county and local levels, on qualifying purchases of CDC Equipment. The Program is administered by the Arizona Commerce Authority (ACA) in conjunction with the Arizona Department of Revenue (ADOR).

## BACKGROUND

In general, an owner, operator or qualified co-location Tenant of a certified CDC can receive the exemptions provided by the program for up to ten full calendar years following the year certification of the CDC is issued. However, if the CDC qualifies as a sustainable redevelopment project, the exemptions are available for up to 20 full calendar years following the year certification of the CDC is issued.

The TPT and Use Tax Exemptions provided by the program are available if all of the following are satisfied:

1. An applicant submits an application for CDC certification and receives a letter of certification from the ACA.
2. The CDC owner, operator and/or qualified co-location tenant collectively satisfy the requisite capital investment threshold in a timely manner and the applicant submits to the ACA evidence of satisfaction of one of the following:
  - If the CDC facility is located in either Maricopa or Pima County, a capital investment of at least **\$50 million is made within five years** of the date of the letter of CDC certification from the ACA. OR
  - If the CDC facility is located in any county other than Maricopa or Pima, a capital investment of at least **\$25 million is made within five years** of the date of the letter of CDC certification from the ACA. OR
3. The applicant remits a non-refundable processing fee equal to \$50.00 at the time of certification of the CDC and, as applicable, remits a separate non-refundable processing fee equal to \$50.00 for each qualified co-location tenant receiving certification.
4. All relevant parties comply with the employer requirements set forth in A.R.S. §§ 23-214(B).

## APPLICATION FOR CERTIFICATION

The ACA is authorized to accept applications for certification of a CDC between September 1, 2013 and December 31, 2023.

- An owner or operator may apply for certification of a CDC by completing the electronic “application for CDC certification.”
- Within 60 days of receipt of a complete application, will notify the owner or operator of certification or denial.
- Upon receipt of certification from the ACA, an owner, operator and/or qualified co-location may begin obtaining the TPT and Use Tax Exemptions offered by the program.
- ADOR may revoke a CDC certification if the requisite capital investment threshold is not satisfied or if the CDC violates the provisions of A.R.S. § 41-1519(L) which prohibit a CDC from generating electricity for resale purposes or providing or selling electricity outside the CDC. If a CDC certification is revoked, the owner or operator may be liable for repayment of all or part of the exemptions it received, including penalties and interest. If ADOR revokes a CDC certification, all certifications pertaining to Qualified co-location tenants at the CDC are similarly revoked.



## DEFINITIONS

- “Capital Investment” means the purchase price as well as any non-refundable lease payments incurred with respect to land, buildings (including tenant improvements), modular data center and CDC Equipment. Capital Investment includes cumulative expenditures of an owner, operator and any qualified co-location tenant, as may be applicable.
- “Computer Data Center” means all or part of a facility that may be composed of multiple businesses or owners, that is or will be predominantly used to house working servers and that may have uninterruptible energy supply or generator backup power, or both, cooling systems, towers and other temperature control infrastructure.
- “Facility” means one or more parcels of land in Arizona and any structures and personal property contained on the land
- “Modular Data Center” means a portable system of information technology, climate control, energy supply and energy distribution machinery, equipment and related tangible personal property contained in an intermodal freight container or similar structure.
- “CDC Equipment” means equipment that is used to outfit, operate or benefit a CDC and component parts, installations, refreshments, replacements and upgrades to this equipment, whether any of the property is affixed to or incorporated into real property, including:
  - a) All equipment necessary for the transformation, generation, distribution or management of electricity that is required to operate computer server equipment, including generators, uninterruptible energy, supplies, conduit, gaseous fuel piping, cabling, duct banks, switches, switchboards, batteries and testing equipment.
  - b) All equipment necessary to cool and maintain a controlled environment for the operation of the computer server and other components of the computer data center, including mechanical equipment, refrigerant piping, gaseous fuel piping, adiabatic and free cooling systems, cooling towers, water softeners, air handling units, indoor direct exchange units, fans, ducting and filters.
  - c) All water conservation systems including facilities or mechanisms that are designed to collect, conserve and reuse water.
  - d) All enabling software, computer server equipment, chassis, networking equipment, switches, racks, cabling, trays and conduit.
  - e) All monitoring equipment and security systems.
  - f) modular data centers and preassembled components of any item described in this paragraph, including components used in the manufacturing of modular data centers.
  - g) Other tangible personal property that is essential to the operations of a CDC.

