

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 seeks to accomplish 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 obtain the tax exemptions provided by the Program for up to ten full calendar years following the year of the CDC certification. However, if the CDC qualifies as a sustainable redevelopment project, the Program tax exemptions are available for up to 20 full calendar years following the year of the certification.

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 colocation tenant collectively satisfy the applicable capital investment threshold in a timely manner:
 - If the CDC facility is located in either Maricopa or Pima County, a capital investment of at least \$50 million must be made within five years of the date of the CDC's certification, OR
 - If the CDC facility is located in a county other than Maricopa or Pima Counties, a capital investment of at least \$25 million must be made within five years of the date of the CDC's certification, OR

- In the case of a pre-2013 CDC, regardless of location, a capital investment of at least **\$250 million must have been made during the period between September 1, 2007 and August 31, 2013**, OR
 - If the CDC Facility is Greenfield SRP, a capital investment of at least \$200 million must be made and the CDC must attain certification under the energy star or green globes standard within five years of the date of the CDC's certification.
3. The applicant remits the requisite processing fee.
 4. All relevant parties furnish evidence of registration under the Federal E-Verify Program.

APPLICATION FOR CERTIFICATION

The ACA is authorized to accept applications for CDC certification through December 31, 2033.

- An owner or operator applying for CDC certification must complete the electronic "Application for CDC Certification" form.
- Within 60 days of receipt of a complete application, the ACA will notify the applicant if the application is approved or denied.
- Commencing on the date the CDC is certified, the owner, operator and/or qualified co-location tenants may obtain the TPT and Use Tax exemptions offered by the Program on qualifying purchases of CDC equipment.
- 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) (*pertaining to the prohibition of a CDC 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 tax exemptions received. If ADOR revokes a CDC certification, all certifications pertaining to qualified co-location tenants at the CDC are similarly revoked.



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DEFINITIONS

- **“Capital Investment”** means the purchase price of land, buildings (*including tenant improvements*), modular data center and CDC equipment.
- **“Computer Data Center”** or **“CDC”** 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, and whether owned, leased or used by the owner or operator pursuant to a contract for the right to use the equipment, 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; and
 - b) All equipment necessary to cool and maintain a controlled environment for the operation of the computer server and other components of the CDC, 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.

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