

CO-SPONSORSHIP MEMORANDUM

TO: All Legislators

FROM: Representative Shannon Zimmerman
Senator Romaine Quinn

DATE: April 21, 2025

RE: Co-sponsorship of LRB-2219/2933 – relating to: modifying the sales and use tax exemption for qualified data centers.

DEADLINE: April 28, 2025

Over the past several years, development of data centers has been rising across the country. Wisconsin needs to be at forefront of competition for data centers. Data centers are complexes that make the internet possible. Computing and network equipment are housed within these centers to support any company that has a digital presence.

Last session, a sales and use tax exemption was included in the state budget for data center equipment used at qualified data centers that meet minimum investment requirements. This legislation expands upon the sales and use tax exemption from last session by including co-located and condominium style data center centers. These types of data centers may house a group of individual server computers that are owned by more than one business entity.

Currently, data centers may qualify for the sales and use tax exemption where a single owner, lessor, or operator owns the server computers. These type of data centers service large single users and are referred to as hyperscale data centers. However, there are instances where data centers will lease server computers to businesses that effectively

operate as tenants of the computers. Co-located data centers service small to medium size businesses. By adding these kinds of data centers to the current sales and use tax exemption, Wisconsin will have a greater opportunity to secure investments and economic activity generated from data centers. Data centers create high-paying jobs and support upgrades to utilities and fiber network infrastructure. It is critical for Wisconsin to not fall behind the competitive environment for data centers.

If you are interested in co-sponsoring this legislation, please reply to this e-mail or contact Representative Zimmerman's office at 9130 or Senator Quinn's office at 6-3510 by April 28, 2025 at 5:00 PM. Co-sponsors will be added to both the Assembly and Senate versions of the proposal unless specified otherwise.

Analysis by the Legislative Reference Bureau

This bill makes various changes to the sales and use tax exemption for qualified data centers.

Under current law, there is a sales and use tax exemption for certain property and items used to construct, operate, or renovate a qualified data center, as certified by the Wisconsin Economic Development Corporation. Under current law, WEDC may certify a qualified data center if it meets all of the following criteria:

1. The qualified data center is one or more buildings or an array of connected buildings owned, leased, or operated by the same business entity or its affiliate.
2. The buildings are rehabilitated or constructed to house a group of networked server computers in one physical location or multiple locations in order to centralize the processing, storage, management, retrieval, communication, or dissemination of data and information.
3. The buildings create a minimum qualified investment in this state within five years from the certification date in the amount of \$50 million, \$100 million, or \$150 million, depending on the population of the county in which the buildings are located.

The bill modifies the definition of qualified data center to provide that the buildings may house a group of individual, as well as a group of networked, server computers. In addition, the bill provides that WEDC also may certify a qualified data center if, in addition to the criteria described in items 1 and 3, it meets the following criterion, rather than the criterion

described under item 2: the buildings are rehabilitated or constructed to house a group of individual or networked server computers in one physical location or multiple locations in order to provide an owner, operator, or tenant the opportunity to rent or own space, utilities and other vital resources such as cooling capacity, enhanced security features, or the ability to procure infrastructure, platforms, software, and other managed services.

The bill also provides that WEDC may not certify buildings that are used for or to facilitate the creation of cryptocurrencies and the process used to verify and secure cryptocurrency transactions and blockchains as qualified data centers eligible for the sales and use tax exemption.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the state and local fiscal estimate, which will be printed as an appendix to this bill.