



## Data Center Sales and Use Tax Exemption (DCSTE)

Program Guidelines for Calendar Year 2025			
<b>Lead Division:</b> Business and Community Development			
<input checked="" type="checkbox"/> <b>New</b>	<input type="checkbox"/> <b>Revised</b> (1/1/2025)		
<input type="checkbox"/> <b>Grant</b>	<input type="checkbox"/> <b>Loan</b>	<input checked="" type="checkbox"/> <b>Tax Credit</b>	<input type="checkbox"/> <b>Technical Assistance</b>

### **Introduction**

**Background Information:** The Data Center Sales and Use Tax Exemption (DCSTE) Program was created by [2023 Act 19](#). The program’s intent is that certain property purchased for a Qualified Data Center certified by WEDC will be eligible for sales and use tax exemption for Eligible Data Center Costs.

**Program’s Purpose:** The purpose of the DCSTE Program is to implement the sales and use tax exemption for data centers in Wisconsin pursuant to 2023 Act 19.

### **Eligibility Requirements**

#### **Certification:**

A Qualified Data Center may not be certified for the DCSTE prior to October 1, 2023. WEDC will set the Certification Date for each Qualified Data Center. No expenditures made prior to the Certification Date may be counted as Qualified Investment. The sales and use tax exemption applies to purchases made on or after the date the Qualified Data Center is certified.

WEDC will certify a Qualified Data Center for the DCSTE if the data center seeking certification is one or more buildings or an array of connected buildings owned, leased, or operated by the same Business Entity or its affiliate and:

1. 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; and
2. The buildings create a minimum Qualified Investment in this state of any of the following amounts within 5 years from the Certification Date:
  - a. For buildings located in a county having a population greater than 100,000, \$150,000,000.
  - b. For buildings located in a county having a population greater than 50,000 and not more than 100,000, \$100,000,000.
  - c. For buildings in a county having a population of not more than 50,000, \$50,000,000.



- d. For buildings located in more than one county, the amount provided under a., b., or c. for the most populous county in which the buildings are located.<sup>1</sup>

WEDC's certification of a Qualified Data Center will include a description of the geographic location or locations and buildings of the Qualified Data Center and an identification of the Business Entity.<sup>2</sup>

Beginning on the Certification Date, the following are exempted from Wisconsin Sales and Use taxes:

- a. The sales price from the sale of and the storage, use, or other consumption of tangible personal property, regardless of whether the property is affixed to or incorporated into real property, and property under [§77.52\(1\)\(c\)](#), used exclusively for the development, construction, renovation, expansion, replacement, repair, or operation of a Qualified Data Center, as defined in [§238.40\(1\)\(b\)](#), and used solely at the Qualified Data Center, including computer server equipment and the chassis for such equipment; networking equipment; switches; racks; fiber-optic cabling, copper cabling, and other cabling, including cabling used to connect one or more Qualified Data Centers; trays; conduit; substations; uninterruptible energy equipment; supplies; fuel piping and storage; duct banks; switches; switchboards; batteries; testing equipment; backup generation equipment; modular data centers and preassembled components; monitoring equipment; security systems; and electricity.<sup>3</sup>
- b. The sales price from the sales of and the storage, use, or other consumption of tangible personal property or property under [§77.52\(1\)\(c\)](#) used in the development, construction, renovation, expansion, replacement, or repair of a water cooling or conservation system used exclusively to cool or conserve water for one or more Qualified Data Centers, as defined in [§238.40\(1\)\(b\)](#), including chillers, mechanical equipment, refrigerant piping, fuel piping and storage, adiabatic and free cooling systems, cooling towers, water softeners, air handling units, indoor direct exchange units, fans, ducting, and filters.<sup>4</sup>
- c. The sales price from the sale of and the storage, use, or other consumption of tangible personal property or property under [§77.52\(1\)\(c\)](#) sold to a construction contractor that, in fulfillment of a real property construction activity, transfers the tangible personal property or property under [§77.52\(1\)\(c\)](#) to a Qualified Data Center, as defined in [§238.40\(1\)\(b\)](#), if such tangible personal property or property under [§77.52\(1\)\(c\)](#) becomes a component of the Qualified Data Center.<sup>5</sup>

The Wisconsin Department of Revenue administers sales and use taxes and provides guidance on how businesses may claim the sales and use tax exemptions described above.

### **Revocation and Penalties:**

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<sup>1</sup> Wis. Stat. § 238.40(1)(b)

<sup>2</sup> Wis. Stat. § 238.40(2)(a)

<sup>3</sup> Wis. Stat. § 77.54(70)(a)

<sup>4</sup> Wis. Stat. § 77.54(70)(b)

<sup>5</sup> Wis. Stat. § 77.54(70)(c)



A certified data center that does not meet its minimum Qualified Investment based on the county in which it is located by the end of five years will have its certification revoked.<sup>6</sup> Purchases for the data center made after the revocation date are not eligible for the DCSTE. WEDC will recapture a percentage of the Qualified Investment made. The percentage will be based on the combined total of the state, county, and local sales tax rates applicable to the location of the data center.

### **Available Incentives**

The DCSTE provides Qualified Data Centers with an exemption of Wisconsin Sales and Use Tax for eligible expenditures. There is no dollar threshold on the exemption; all qualifying purchases are exempt regardless of the amount.

### **Activities and Expected Outcomes**

Assist at least one business to locate a Qualified Data Center in Wisconsin.

**Impact:** The DCSTE Program is meant to encourage the large-scale construction and reoccurring capital investment from the creation of new data center sites in Wisconsin. This specific type of development should encourage the growth of local supply chains to support the implementation and operations of advanced data technology facilitates within the state.

### **Metrics:**

Metrics for the DCSTE include but are not limited to:

- Leverage – Total
- Capital Investment

### **Application Guideline**

**Timeline:** The Data Center Certification program has a continuous application process.

**Review Considerations:** WEDC may take the following into account when evaluating applicants:

- The extent to which the proposed plan contributes to the overall economic improvement and enhancement of the community.

**How to Apply:** Applicants for the program should complete an application through an Account Manager.

### **Award Process:**

The completed application will be assigned to an underwriter and will go through the award review process.

### **Performance Reporting:**

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<sup>6</sup> Wis. Stat. § 238.40(2)(b)



Recipients will be required to annually submit a performance report documenting specific project activities, as well as any other contract deliverables for the lesser of five (5) years or until the minimum Qualified Investment amount is achieved.

WEDC annually selects awards on a sample basis for an audit. All backup to the performance report and financial records are required to be maintained by the Recipient for a period of at least three (3) years after the last performance report is due.

WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

### **Helpful Information**

#### **Definitions:**

“Business Entity” means any organization or enterprise operated for profit, including but not limited to a proprietorship, partnership, firm, business trust, joint venture, syndicate, corporation, limited liability company or association.<sup>7</sup>

“Certification Date” means the date, designated by WEDC, on which eligibility for the DCSTE begins. No activities occurring prior to the Certification Date will be eligible for the DCSTE or included in Qualified Investment. The Certification Date may not be prior to October 1, 2023.

“Eligible Data Center Costs” means expenditures made after the Certification Date for the development, acquisition, construction, renovation, expansion, replacement, or repair and the operation of a Qualified Data Center in this state, including costs of tangible personal property and property under §77.52(1)(c), as specified in §77.54(70), land, buildings, site improvements, modular data centers, computer data center equipment acquisition and permitting, lease payments, site characterization and assessment, engineering, and design used at a Qualified Data Center in this state.<sup>8</sup>

“In this state” or “in the state” means within the exterior limits of the state of Wisconsin.<sup>9</sup>

“Qualified Investment” means the aggregate, non-duplicative eligible data center costs expended at a Qualified Data Center by an owner, operator, or tenant, or an affiliate of an owner, operator, or tenant, of the Qualified Data Center.<sup>10</sup>

### **Revision History**

#### **Program Inception - 2023 Act 19 – Fiscal Year 2024**

- 01.01.2025: Clarified that the Certification Date is set by WEDC.

### **PROGRAM REVIEW:**

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<sup>7</sup> Wis. Stat. § 13.62(5)

<sup>8</sup> Wis. Stat. § 238.40(1)(a)

<sup>9</sup> Wis. Stat. § 77.51(6)

<sup>10</sup> Wis. Stat. § 238.40(1)(c)



This document has been reviewed by the following parties:

- Chief Operating Officer
- Chief Legal Officer
- Chief Financial Officer
- Senior Vice President of Strategic Investment & Evaluation
- Senior Director of Policy - VACANT

**Division Vice President:** Michael Ward

**Date:** 12/5/2024

**CEO or Designee:** [Signature]

**Date:** 12/5/2024