



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1444

As Engrossed: 2/27/2025

Bill Subtitle: TO AMEND THE SALES AND USE TAX EXEMPTION FOR DATA CENTERS.

Sponsors:

Rep. Pilkington and Sen. Dismang

Basic Change:

HB1444 (as engrossed 2/27/2025) expands the sales and use tax exemption for data centers to include a “qualified large data center”.

A qualified large data center is a facility, or any expansion or addition to a facility, that:

- Is owned by a qualified firm that is subject to state tax and engaged in data processing, storage, and dissemination;
- Creates a qualified investment of \$2 billion or more within ten years of construction;
- Has a minimum payroll calculated directly or indirectly including any contractors of the company of \$3 million annually within two years of commencing operation;
- Is located in two or more nonadjacent properties that are connected by fiber; and
- Is not primarily engaged in adding transactions involving virtual currency to a distributed ledger at the facility.

Once qualified, a large data center will be eligible for the exemption in § 26-52-456 from the gross receipts or compensating use tax levied on the qualified firm's purchase of:

- Data center equipment which is expanded to include related equipment and services either purchased or leased for immediate or future use;
- Eligible data center costs which are expanded to include maintenance costs;
- Services related to the development, acquisition, construction, renovation, refurbishing, or operation of the qualified data center or large data center; and
- Electricity used by the qualified data center or large data center.

HB1444 also reduces the qualified investment requirement for a qualified data center from \$500 million to \$100 million and permits the inclusion of indirect compensation including compensation paid by the contractors of the qualified data center for purposes of the minimum payroll requirement. A qualified data center may also not be primarily engaged in adding transactions involving virtual currency to a distributed ledger at the facility.

HB1444 requires that a data center or a large data center obtain a positive cost-benefit analysis from the Arkansas Economic Development Commission (AEDC) prior to receiving a certificate of tax exemption from the Department of Finance and Administration (DFA). HB1444 also transfers to DFA AEDC's current duties regarding data centers with the exception of performing a cost-benefit analysis.

Once a financial incentive certificate is approved, the qualified data center may request that DFA certify that the qualified data center and any other facilities owned or operated by the qualified firm are eligible for the exemption under the qualified large data center.



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1444

As Engrossed: 2/27/2025

Bill Subtitle: TO AMEND THE SALES AND USE TAX EXEMPTION FOR DATA CENTERS.

When the minimum qualified investment for a qualified large data center or a qualified data center has been met, the qualified firm must certify annually to DFA the following:

- When the minimum qualified investment required was met; and
- The aggregate annualized compensation at the qualified data center or qualified large data center for the calendar year.

If the aggregate annualized compensation at a qualified data center or a qualified large data center falls below the required aggregate compensation, the approved financial incentive certificate for the qualified firm that owns or operates the qualified data center or the qualified large data center shall be revoked.

HB1444 is effective on the first day of the calendar quarter following the effective date of the act.

Fiscal Impact:

Revenue neutral.

Taxpayer Impact:

The eligibility requirements for a qualified data center are modified, and the eligibility requirements for a qualified large data center are created. Both types of data centers are required to obtain a positive cost-benefit analysis from AEDC prior to applying for a financial incentive certificate from DFA.

Resources Required:

DFA does not currently have a process for sales and use tax exemption incentive programs. A department will have to be established to set up and run this program. A DFA Statewide Program Manager (GS13), a DFA Statewide Program Coordinator (GS11) and four tax auditors II (GS09) will be needed to establish and manage the new certification process defined in this bill. The total ongoing yearly cost for personnel is \$468,251.21.

Additional programming for AIRS will be needed in support of the certification process and the cost of needed modifications is estimated to be \$40,000. This project estimate includes:

- Configure a new case to process and track certification requests;
- Update ATAP to accept certification requests;
- Create tracking and statistical reports;
- Create certification application, certificate, and other letters for annual application correspondence; and
- Configure tracking of certification approval and revocation.

Time Required:

Adequate time is provided for implementation.



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1444

As Engrossed: 2/27/2025

Bill Subtitle: TO AMEND THE SALES AND USE TAX EXEMPTION FOR DATA CENTERS.

Procedural Changes:

A new program for facilitating new data centers and ongoing monitoring must be established. Computer programs, websites and training manuals will need to be updated to account for the changes.

Other Comments:

None.

Legal Analysis:

HB1444 may benefit from an amendment to define when a facility is "primarily engaged in adding transactions involving virtual currency to a distributed ledger."

HB1444 may benefit from an amendment to require that electricity be separately metered for each location of a large data center.

HB1444 may benefit from an amendment to strike page 7, lines 8-9. This provision may cause confusion concerning DFA's ability to conduct an audit of the data center or large data center, which it is statutorily required to perform.