

Wash. gov approves smelter, server farm tax breaks

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With lawmakers planning to cut spending and raise taxes to help balance a \$2.8 billion budget deficit, Washington state is still extending tax breaks to some industries.

Gov. Chris Gregoire signed two such bills into law Thursday, aiding server farms and aluminum smelters. Even though the Legislature is grappling with a huge budget deficit, Gregoire said the tax incentives were necessary to boost jobs in Washington.

One bill gives a temporary sales-tax break for companies that build and operate server farms in rural areas. Server farms, also called data centers, are large computer-filled buildings that tech companies use to handle data storage and Internet traffic.

The sales and use tax exemption takes effect in April and lasts until 2018, applying to server equipment, software and electric infrastructure at eligible computer data centers in rural areas.

Supporters say the tax exemption will help Washington compete for construction of new server farms. A handful already are operating in Eastern Washington, which boasts cheap hydroelectric power and ample real estate. But in 2007, state officials ruled that data centers were not covered by a different sales tax break meant for manufacturers.

Since then, tech corporations have looked outside of the state to build new centers. Lawmakers say construction of new centers will add construction jobs and property tax revenue, along with some long-term employment.

According to a state Revenue Department estimate, the tax break is worth about \$28 million for a 525,000 square-foot data center. That would be repeated in about three years, when the computer equipment is replaced.

Gregoire said she'd spoken to Microsoft Corp. and other companies about their desire to build new server farms if the tax break were enacted, and predicted at least three of the facilities would be built soon.

"I don't have any doubt in my mind that they're about to file the first permit over there to begin construction right away," she said.

The second tax break approved Thursday by the Democratic governor extends existing tax preferences for aluminum smelters. Legislative estimates peg the value of those tax breaks at about \$3.5 million per year.

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Smelter owners pay a lower business tax rate, and get a credit on business taxes for the amount of property taxes paid on a smelter property. They also are given a sales tax credit, and an exemption for natural gas delivered through a pipeline.

Those were set to expire in 2012. The bill signed by Gregoire extends the sales-tax credit, business-tax rate and natural-gas exemption until January 2017, with the credit for property taxes extended through the 2017 property tax assessment.

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The server farm bill is Senate Bill 6789. The smelter bill is House Bill 2672.

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Governor: <http://www.governor.wa.gov>

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