

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2137

Introduced by

Senators Myrdal, Oehlke, Patten

Representatives Damschen, Mock, Monson

1 A BILL for an Act to create and enact a new section to chapter 57-39.2 of the North Dakota
2 Century Code, relating to a sales and use tax exemption for enterprise information technology
3 equipment and computer software purchased for use in a qualified data center; and to provide
4 for retroactive application.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1.** A new section to chapter 57-39.2 of the North Dakota Century Code is created
7 and enacted as follows:

8 **Sales and use tax exemption for enterprise information technology equipment and**
9 **computer software used in a qualified data center.**

- 10 1. Gross receipts from sales of enterprise information technology equipment and
11 computer software purchased for use by a qualifying business in a qualified data
12 center are exempt from the tax imposed by this chapter. To qualify for the exemption,
13 the enterprise information technology equipment or computer software must be
14 incorporated into or physically located within the qualified data center. Purchases of
15 upgraded or replacement enterprise information technology equipment and computer
16 software for use in a qualified data center also are exempt.
- 17 2. The future owner of a proposed data center shall apply to the tax commissioner to be
18 certified as a qualified data center. An applicant shall respond to a request for
19 additional information from the tax commissioner within thirty days of the request or
20 the application may no longer be considered.
- 21 3. To receive the exemption at the time of purchase, the qualified business shall obtain
22 from the tax commissioner a certificate that the enterprise information technology
23 equipment or computer software the qualified business intends to purchase qualifies
24 for the exemption. If a certificate is not received before the purchase, the qualified

- 1 business shall pay the applicable tax imposed by this chapter and apply to the tax
2 commissioner for a refund.
- 3 4. If the enterprise information technology equipment is purchased or installed by a
4 contractor subject to the tax imposed by this chapter, the qualified business may apply
5 for a refund of the difference between the amount remitted by the contractor and the
6 exemption imposed or allowed by this section. Application for a refund must be made
7 at the times and in the manner directed by the tax commissioner and must include
8 sufficient information to permit the tax commissioner to verify the sales and use taxes
9 paid and the exempt status of the sale or use.
- 10 5. For purposes of this section:
- 11 a. "Computer software" includes software used or loaded at a qualified data center,
12 software maintenance, software licensing, and software customization.
- 13 b. "Data center" means a centralized repository for the storage, management, and
14 dissemination of electronic data and information organized around a particular
15 body or bodies of knowledge.
- 16 c. "Enterprise information technology equipment" includes:
- 17 (1) Computer hardware, servers, routers, cooling systems, and cooling towers.
- 18 (2) Temperature control infrastructure and power infrastructure used for
19 transformation, distribution, or management of electricity used for the
20 maintenance and operation of a qualified data center.
- 21 (3) Exterior dedicated business-owned substations, backup power generation
22 systems, battery systems, or other related infrastructure.
- 23 (4) Racking systems, raised flooring, cabling, or trays necessary for the
24 maintenance and operation of a qualified data center.
- 25 d. "Qualified business" means the owner, operator, or tenants of a qualified data
26 center.
- 27 e. "Qualified data center" means a newly constructed or substantially refurbished
28 facility located in this state:
- 29 (1) Comprised of one or more buildings, the primary purpose of which is to
30 contain a data center, consisting of an aggregate amount of fifteen thousand

- 1 square feet [1394 square meters] or more, no fewer than fifty percent of
2 which is used for data processing;
3 (2) Located on a single parcel or on contiguous parcels;
4 (3) On which construction is completed or which is substantially refurbished
5 after December 31, 2020;
6 (4) Having the following attributes:
7 (a) Sophisticated fire suppression and prevention systems;
8 (b) Enhanced security with security features including video camera
9 surveillance; an electronic system requiring pass codes, key cards, or
10 biometric scans such as hand scans or retinal or fingerprint
11 recognition to restrict access to selected personnel; or other similar
12 security features; and
13 (5) Certified by the tax commissioner as a qualified data center.
14 f. "Substantially refurbished" means a data center used to house enterprise
15 information technology equipment in which fifteen thousand square feet [1394
16 square meters] or more has been rebuilt, modified, or improved through methods
17 including energy efficiency improvements, building improvements, and the
18 installation of enterprise information technology equipment, environmental
19 controls, and computer software.
20 6. In determining the total square footage of a qualified data center, the square footage
21 of office space, meeting space, mechanical space, and other support facility spaces
22 must be included if those spaces are used to support the operation of enterprise
23 information technology equipment.
24 7. Qualified data center owners that intend to collocate operators or tenants within the
25 center shall provide the operators or tenants with documentation from the tax
26 commissioner that the center meets the definition of a qualified data center under this
27 section. Operators or tenants shall obtain and submit a copy of the documentation with
28 all applications for sales tax exemption on information technology equipment and
29 computer software purchased for use in the qualified data center.

30 **SECTION 2. RETROACTIVE APPLICATION.** This Act applies retroactively to purchases
31 made after December 31, 2020.