



General Assembly

January Session, 2021

Raised Bill No. 6468

LCO No. 3635



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT CONCERNING INCENTIVES FOR QUALIFIED DATA CENTERS TO LOCATE IN THE STATE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective July 1, 2021*) (a) As used in this section:
- 2 (1) "Colocation tenant" means a person that contracts with the owner
3 or operator of a qualified data center to use or occupy all or part of a
4 qualified data center for a period of at least two years;
- 5 (2) "Eligible qualified data center costs" means expenditures made on
6 or after July 1, 2021, for the development, acquisition, construction,
7 rehabilitation, renovation, repair or operation of a facility to be used as
8 a qualified data center, including the cost of land, buildings, site
9 improvements, modular data centers, lease payments, site
10 characterization and assessment, engineering services, design services
11 and data center equipment acquisition and permitting related to such
12 data center equipment acquisitions. "Eligible qualified data center costs"
13 does not include expenditures made in connection with real or personal
14 property that is located outside the boundaries of the facility to be used

15 as a qualified data center;

16 (3) "Enterprise information technology equipment" means:

17 (A) Hardware that support computing, networking or data storage
18 functions, including servers and routers;

19 (B) Networking systems equipment that support computing,
20 networking or data storage functions and have an industry designation
21 as equipment within the enterprise class or data center class of
22 networking systems; and

23 (C) Generators and other equipment used to ensure an uninterrupted
24 power supply for the hardware and networking systems equipment
25 under subparagraph (A) or (B) of this subdivision;

26 (4) "Facility" means one or more contiguous tracts of land in the state
27 and any structure and personal property contained on such land;

28 (5) "Operator" means a person that contracts with the owner of a
29 qualified data center to operate such qualified data center;

30 (6) "Owner" means a person that holds a leasehold estate in excess of
31 fifty years or a fee title to a facility;

32 (7) "Person" means an individual, an estate, a trust, a receiver, a
33 cooperative association, a corporation, a company, a firm, a partnership,
34 a limited partnership, a limited liability company, a limited liability
35 partnership or a joint venture;

36 (8) "Qualified data center" means a facility that is developed,
37 acquired, constructed, rehabilitated, renovated, repaired or operated, to
38 house a group of networked computer servers in one physical location
39 or multiple contiguous locations to centralize the storage, management
40 and dissemination of data and information pertaining to a particular
41 business or classification or body of knowledge;

42 (9) "Qualified data center equipment" means computer equipment,

43 software and hardware purchased or leased for the processing, storage,
44 retrieval or communication of data, including:

45 (A) Computer servers, routers, connections, chassis, networking
46 equipment, switches, racks, fiber optic and copper cables, trays,
47 conduits and other enabling machinery, equipment and hardware,
48 regardless of whether such personal property is affixed to or
49 incorporated into real property;

50 (B) Equipment used in the operation of computer equipment or
51 software for the benefit of a qualified data center, including component
52 parts, replacement parts and upgrades, regardless of whether the
53 personal property is affixed to or incorporated into real property;

54 (C) Equipment necessary for the transformation, generation,
55 distribution or management of electricity that is required to operate
56 computer servers and related equipment, including substations,
57 generators, uninterruptible energy equipment, supplies, conduits, fuel
58 piping and storage, cabling, duct banks, switches, switchboards,
59 batteries and testing equipment;

60 (D) Equipment necessary to cool and maintain a controlled
61 environment for the operation of computer servers and other equipment
62 of a qualified data center, including chillers, mechanical equipment,
63 refrigerant piping, fuel piping and storage, adiabatic and free cooling
64 systems, cooling towers, water softeners, air handling units, indoor
65 direct exchange units, fans, ducting and filters;

66 (E) Water conservation systems, including equipment designed to
67 collect, conserve and reuse water;

68 (F) Conduit, ducting and fiber optic and copper cables located
69 outside the qualified data center, that are directly related to connecting
70 one or more qualified data center locations;

71 (G) Monitoring equipment and security systems;

72 (H) Modular data centers and preassembled components of any item

73 described in this subsection, including components used in the
74 manufacturing of modular data centers; and

75 (I) Any other personal property that is essential to the operations of a
76 qualified data center or that is acquired for incorporation into or used
77 or consumed in the operation of the qualified data center; and

78 (10) "Qualified investment" means the aggregate, nonduplicative
79 eligible qualified data center costs expended by an owner, operator and
80 colocation tenant of a qualified data center.

81 (b) Any person that anticipates it will own, operate or be a colocation
82 tenant in a qualified data center in this state may apply to the
83 Commissioner of Economic and Community Development to enter into
84 an agreement in accordance with the provisions of subsection (c) of this
85 section, for exemption from the taxes imposed under chapters 219 and
86 203 of the general statutes as set forth in subsections (d) and (e) of this
87 section.

88 (c) (1) Any person described in subsection (b) of this section that seeks
89 an exemption under subsection (b) of this section shall submit an
90 application to the Commissioner of Economic and Community
91 Development, in a manner and form prescribed by the commissioner. If
92 the commissioner approves such application, the commissioner shall
93 enter into an agreement with such person, provided such person
94 demonstrates to the satisfaction of the commissioner that:

95 (A) The facility to be developed, acquired, constructed, rehabilitated,
96 renovated, repaired or operated will be used as a qualified data center;
97 and

98 (B) The qualified data center will make, on or before the fifth
99 anniversary of the date an agreement entered into pursuant to this
100 section becomes effective, a qualified investment of at least (i) fifty
101 million dollars if such qualified data center is located in an enterprise
102 zone designated pursuant to section 32-70 of the general statutes or a
103 federal qualified opportunity zone designated pursuant to the Tax Cuts

104 and Jobs Act of 2017, P.L. 115-97, as amended from time to time, or (ii)
105 two hundred million dollars if such qualified data center is not located
106 in an enterprise zone or a federal qualified opportunity zone.

107 (2) Any agreement entered into pursuant to this section shall:

108 (A) Be for a period of twenty years, unless extended under the
109 provisions of subdivision (3) of this subsection, from the date an
110 agreement entered into pursuant to this section becomes effective,
111 which may be in the year in which the construction, rehabilitation,
112 renovation or repair of a qualified data center commences;

113 (B) Include a five-year qualifying period, from the date an agreement
114 entered into pursuant to this section becomes effective, for the
115 applicable qualified investment amount set forth in subparagraph (B) of
116 subdivision (1) of this subsection to be reached;

117 (C) Include the payment of an annual fee by the qualified data center,
118 to be determined annually by the commissioner and not to exceed fifty
119 thousand dollars, for the administrative and operational costs of the
120 Office of Data Infrastructure Administration and Security established
121 under subsection (f) of this section. Such fee shall be paid by the
122 qualified data center to the commissioner during each year of such
123 qualifying period or until the applicable qualified investment amount
124 set forth in subparagraph (B) of subdivision (1) of this subsection is
125 reached, whichever is sooner;

126 (D) Include a detailed description of the capital project that is the
127 subject of the agreement;

128 (E) Provide that the provisions of the agreement may be transferred,
129 within the time period such agreement is effective and for the remaining
130 duration of such time period, to any (i) subsequent owner of the
131 qualified data center, (ii) operator or affiliate of the operator of the
132 qualified data center, or (iii) colocation tenant, provided the facility
133 continues to be used as a qualified data center; and

134 (F) Include provisions for the assessment and payment of the taxes
135 exempted pursuant to such agreement and the rates or amounts of
136 penalties and interest to be imposed thereon, if the commissioner
137 determines that the requirements of the agreement or of a qualified data
138 center are not being met or have not been met.

139 (3) If a qualified data center makes a qualified investment of at least
140 (A) two hundred million dollars if such qualified data center is located
141 in an enterprise zone designated pursuant to section 32-70 of the general
142 statutes or a federal qualified opportunity zone designated pursuant to
143 the Tax Cuts and Jobs Act of 2017, P.L. 115-97, as amended from time to
144 time, or (B) four hundred million dollars if such qualified data center is
145 not located in an enterprise zone or a federal qualified opportunity zone,
146 the commissioner shall extend to thirty years the period for which an
147 agreement entered into pursuant to this section is effective.

148 (4) Any qualified data center that enters into an agreement pursuant
149 to this section and makes the applicable qualified investment amount
150 set forth in subdivision (3) of this subsection shall be exempt from any
151 financial transactions tax or fee that may be imposed by the state on
152 trades of stocks, bonds, derivatives and other financial products. The
153 exemption under this subdivision shall be effective for a period of thirty
154 years from the date the construction, rehabilitation, renovation or repair
155 of a facility is completed, as determined by the commissioner. The
156 commissioner may incorporate the provisions of this subdivision into
157 the agreement entered into pursuant to this section or amend an existing
158 agreement with a qualified data center to incorporate the provisions of
159 this subdivision.

160 (d) (1) With respect to the exemption from the taxes imposed under
161 chapter 219 of the general statutes, the Commissioner of Economic and
162 Community Development shall notify the Commissioner of Revenue
163 Services of any person that has entered into an agreement pursuant to
164 this section. The Commissioner of Revenue Services shall provide to
165 such person a certificate that exempts such person, and any contractor
166 or subcontractor of such person, from such taxes for (A) the sale of and

167 the storage, use or other consumption in this state of qualified data
168 center equipment acquired for incorporation into or used and consumed
169 in the development, acquisition, construction, rehabilitation,
170 renovation, repair or operation of a facility that is used or to be used as
171 a qualified data center, (B) the sale of and the acceptance, use or other
172 consumption in this state of any service described under subdivision
173 (37) of subsection (a) of section 12-407 of the general statutes, that is used
174 and consumed in the development, acquisition, construction,
175 rehabilitation, renovation, repair or operation of a facility that is used or
176 to be used as a qualified data center, and (C) all electricity used by a
177 qualified data center. Such person, and any contractor or subcontractor
178 of such person, may use such certificate for the purchase, storage, use or
179 other consumption in this state of qualified data center equipment,
180 services and electricity as set forth in this subsection and each seller of
181 such equipment, services or electricity may rely on such certificate.

182 (2) The certificate provided pursuant to subdivision (1) of this
183 subsection shall, during the time period the agreement is effective,
184 apply to any additional building at a qualified data center to be
185 developed, acquired, constructed, rehabilitated, renovated, repaired or
186 operated, to house a group of networked computer servers, regardless
187 of whether such development, acquisition, construction, rehabilitation,
188 renovation, repair or operation was contemplated at the time of entering
189 into the agreement.

190 (e) (1) With respect to the exemption from the tax imposed under
191 chapter 203 of the general statutes, such exemption shall apply to (A)
192 real property, buildings or structures, located within or at a qualified
193 data center, and (B) enterprise information technology equipment used
194 by a qualified data center.

195 (2) The exemption under this subsection shall, during the time period
196 the agreement is effective with respect to the exemption from the tax
197 imposed under chapter 203 of the general statutes, apply to any
198 additional building at a qualified data center that is developed,
199 acquired, constructed, rehabilitated, renovated, repaired or operated, to

200 house a group of networked computer servers, and any additional
201 facility acquired for the development, construction, rehabilitation,
202 renovation, repair or operation of a qualified data center, after the date
203 the agreement was entered into, regardless of whether any such
204 development, acquisition, construction, rehabilitation, renovation,
205 repair or operation was contemplated at the time of entering into the
206 agreement.

207 (3) The Commissioner of Economic and Community Development
208 shall notify each municipality in which such facility is located of any
209 agreement entered into pursuant to this section and shall provide the
210 identity of the person with which the commissioner has entered into
211 such agreement, the date such agreement is effective and the terms of
212 the agreement with respect to the exemption from the tax imposed
213 under chapter 203 of the general statutes.

214 (4) No developer or owner shall commence construction,
215 rehabilitation, renovation or repair of a facility that will be a qualified
216 data center unless such owner has entered into a negotiated host
217 municipality fee agreement with the municipality in which such facility
218 is located. If a facility is located in contiguous municipalities, such
219 owner shall enter into a negotiated host municipality fee agreement
220 with each such municipality.

221 (f) There is established an Office of Data Infrastructure
222 Administration and Security within the Department of Economic and
223 Community Development. The office shall (1) serve as the liaison
224 between applicants and qualified data centers and other state agencies,
225 (2) provide assistance to applicants and qualified data centers from the
226 preapplication phase to the post-operational stage, and (3) seek to
227 ensure coordinated, efficient and timely responses to applicants and
228 qualified data centers.

229 (g) The Commissioner of Economic and Community Development
230 shall notify the Commissioner of Revenue Services of any taxes imposed
231 under chapter 219 of the general statutes that become due and owing

232 due to the requirements of an agreement entered into pursuant to this
233 section or of a qualified data center not being met. The amount of any
234 such tax, penalty or interest due and unpaid may be collected under the
235 provisions of section 12-35 of the general statutes. The warrant provided
236 under section 12-35 of the general statutes shall be signed by the
237 Commissioner of Revenue Services or the commissioner's authorized
238 agent. The amount of any such tax, penalty or interest shall be a lien on
239 the real estate of the qualified data center from the last day of the month
240 next preceding the due date of such tax until such tax is paid. The
241 Commissioner of Revenue Services may record such lien in the records
242 of any municipality in which the real estate of such qualified data center
243 is located but no such lien shall be enforceable against a bona fide
244 purchaser or qualified encumbrancer of such real estate. When any tax
245 with respect to which a lien has been recorded under the provisions of
246 this subsection has been satisfied, the commissioner shall, upon request
247 of any interested party, issue a certificate discharging such lien, which
248 certificate shall be recorded in the same office in which the lien was
249 recorded. Any action for the foreclosure of such lien shall be brought by
250 the Attorney General in the name of the state in the superior court for
251 the judicial district in which the real estate subject to such lien is located,
252 or, if such property is located in two or more judicial districts, in the
253 superior court for any one such judicial district, and the court may limit
254 the time for redemption or order the sale of such real estate or make
255 such other or further decree as it judges equitable.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2021	New section

Statement of Purpose:

To provide certain tax exemptions to incentivize qualified data centers to locate in the state.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]