



ARIZONA STATE SENATE
Fifty-Sixth Legislature, First Regular Session

AMENDED

FACT SHEET FOR S.B. 1274

computer data centers; TPT; refund

Purpose

Retroactive to taxable periods beginning January 1, 2022, clarifies that any claim for a transaction privilege tax (TPT) or use tax refund by a computer data center (CDC) must be submitted using the standard tax refund process and exempts refund claims from the refund claim guidelines that applied to TY 2021 claims that were based on the retroactive application of the definition of *tax relief*.

Background

In 2013, the Legislature established the CDC Program. The Arizona Commerce Authority (ACA) operates the CDC Program in conjunction with the Arizona Department of Revenue (ADOR). A CDC is a facility that is predominately used to house working servers for one or more businesses or owners. A CDC may have uninterruptible energy supply or backup generator power as well as temperature control infrastructure.

Current statute requires the gross proceeds of sales or gross income derived from sales of CDC equipment that is to be used in the CDC and that is sold to the owner, operator or qualified colocation tenant of a certified CDC to be deducted from the tax base for the retail classification of TPT (A.R.S. §§ [42-5061](#) and [42-5159](#)). To qualify for the tax relief, a qualified CDC must submit: 1) an application for CDC certification and receive a letter of certification from the ACA; and 2) a signed affirmation that the CDC will satisfy the applicable capital investment threshold. *Tax relief* is the statutorily prescribed TPT, use tax, prime contracting tax and municipal tax deductions from the gross proceeds of sales or gross income from the sale, use, installation, assembly, repair or maintenance of CDC equipment for use at a CDC ([A.R.S. § 41-1519](#)).

[Laws 2021, Chapter 266](#) modified the definition of *tax relief* and allowed a CDC to claim a TPT or use tax refund by December 31, 2021, based on the new definition, retroactive to taxable periods beginning September 13, 2013. The maximum aggregate amount of refunds for claims filed between January 1, 2021, and December 31, 2021, was \$10,000.

The Joint Legislative Budget Committee fiscal note estimates that there is no anticipated fiscal impact to the state General Fund associated with S.B. 1274 ([JLBC fiscal note](#)).

Provisions

1. Requires any TPT or use tax refund claim filed by a CDC to be submitted using the standard tax refund process and exempts such CDC claims from the aggregate refund cap and related refund guidelines for claims filed during TY 2021.

2. Specifies that a TPT or use tax refund claim filed beginning January 1, 2022, by a CDC for amounts claimed for taxable periods beginning January 1, 2022, based on the retroactive application of the *tax relief* definition must be submitted using the standard tax refund process and is exempt from the aggregate refund cap and related refund guidelines for claims filed during TY 2021.
3. Makes technical changes.
4. Becomes effective on the general effective date, retroactive to taxable periods beginning January 1, 2022.

Amendments Adopted by Committee

- Makes technical changes.

Amendments Adopted by Committee of the Whole

1. Clarifies that any claim for a TPT or use tax refund by a CDC must be submitted using the standard tax refund process and such claims are not subject to the refund claim guidelines that applied to refund claims for TY 2021 that were based on the retroactive application of the definition of *tax relief*.
2. Clarifies that any claim for a TPT or use tax refund by a CDC that is filed beginning January 1, 2022, for amounts claimed for taxable periods beginning January 1, 2022, and that is based on the retroactive application of the definition of *tax relief* must be submitted using the standard tax refund process.
3. Makes technical changes.

Senate Action

FIN 2/6/23 DPA 7-0-0

Prepared by Senate Research

March 1, 2023

MG/sr