701—215.12(423) Large data center business exemption. A data center business that has a physical location in Iowa and that meets specific criteria may obtain an exemption from sales and use tax on specific purchases that are used in the operation and maintenance of the data center business.

215.12(1) *Definitions.* For the purpose of this rule, "data center" and "data center business" mean the same as defined in Iowa Code section 423.3(95)*"e."*

215.12(2) *Claiming the exemption.* Iowa Code section 423.3(95)*"b"* provides the criteria to claim this exemption. If a business fails to meet the investment qualification found in Iowa Code section 423.3(95) *"d,"* the data center business loses the right to claim the exemption and the business is required to pay all sales or use taxes that would have been due on the purchase or rental of all purchases previously claimed exempt from sales and use tax, plus any and all applicable statutory penalty and interest due on the tax.

215.12(3) *Exempt purchases.* Paragraphs 215.11(3)*"a"* through *"h"* are incorporated in full by this reference.

215.12(4) *Limitation of exemption.* The purchase or lease of the items listed in subrule 215.12(3) is only exempt if the items being purchased or leased are being used in the operation or maintenance of the data center business. Such purchases or leases will not be exempt from sales or use tax if the item is to be used in the business for another purpose. For example:

a. The purchase of electricity for use in the office portion of the data center business facility would not be exempt.

b. The purchase of building materials that become real property would not be exempt. For example, the purchase of a dishwasher that will be built into a kitchen area in the break room for employees would not be exempt from tax. Although the purchase of a dishwasher is the purchase of tangible personal property, upon installation, the dishwasher becomes part of the building and realty and, therefore, is not exempt from Iowa sales and use tax.

This rule is intended to implement Iowa Code section 423.3(95).

[**ARC 8160C**, IAB 7/24/24, effective 8/28/24]