

House Study Bill 727 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH AND
TECHNOLOGY BILL BY
CHAIRPERSON SORENSEN)

A BILL FOR

- 1 An Act relating to investment requirements for data center
- 2 businesses that claim certain sales tax exemptions and sales
- 3 and use tax refunds.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. **15E.30 Data center business sales**
2 **tax exemptions and refunds — required investments.**

3 1. a. A data center business that claims a sales tax
4 exemption under section 423.3, subsection 95, or a sales and use
5 tax refund under section 423.4, subsections 7 and 8, shall, by
6 the end of the calendar year, invest a minimum of five percent of
7 the aggregate value of the sales tax exemption and sales or use
8 tax refund claimed for the immediately preceding calendar year as
9 either of the following:

10 (1) As an equity investment in a qualifying business under
11 section 15E.28.

12 (2) As an equity investment in an innovation fund under
13 section 15E.52.

14 b. The department of revenue shall annually provide the
15 aggregate value of the sales tax exemptions and sales and use tax
16 refunds claimed by the data center business as disclosed in the
17 annual report of the data center business required pursuant to
18 section 423.3, subsection 95, paragraph "b", subparagraph (5).

19 2. The authority shall verify that the data center made
20 equity investments that meet the requirements of subsection 1.
21 If a data center business fails to make the required investment
22 described in subsection 1, all of the following shall apply:

23 a. The authority shall notify the department of revenue, and
24 the department of revenue shall cancel the registration of the
25 data center business under section 423.3, subsection 95, and the
26 data center business shall not be eligible for the sales tax
27 exemption under section 423.3, subsection 95.

28 b. The data center business shall repay the aggregate amount
29 of the sales tax exemptions and sales and use tax refunds claimed
30 in the calendar year for which the data center business did not
31 make the required investment. Any repayment shall be considered
32 a tax payment due and payable to the department of revenue by the
33 data center business, and the failure to make the repayment may
34 be treated by the department of revenue in the same manner as a
35 failure to pay the tax shown due, or required to be shown due,

1 with the filing of a return or deposit form.

2 3. The authority may adopt rules pursuant to chapter 17A to
3 administer this section.

4 Sec. 2. Section 423.3, subsection 95, paragraph b,
5 subparagraph (5), Code 2026, is amended to read as follows:

6 (5) (a) The data center business shall register with the
7 department as a data center business. To maintain its
8 registration, the data center business shall file an annual
9 report with the department, by January 31, 2026, and by each
10 January 31 thereafter. The annual report shall describe the
11 aggregate sales price amount of backup power generation fuel
12 and electricity purchased in the previous calendar year for the
13 purposes described in paragraph "a", subparagraphs (2) and (3),
14 and any other information the department requires.

15 (b) Beginning with the annual report due on or after January
16 31, 2027, the annual report shall also contain all of the
17 following information from the previous calendar year:

18 (i) The aggregate sales price amount of exempt property
19 purchased under paragraph "a", subparagraphs (1), (2), and (3).

20 (ii) The amount of sales and use tax refunds under section
21 423.4, subsections 7 and 8.

22 (c) If the economic development authority notifies the
23 department of revenue that the data center business is not in
24 compliance with section 15E.30, the department of revenue shall
25 cancel the registration of the data center business.

26 EXPLANATION

27 The inclusion of this explanation does not constitute agreement with
28 the explanation's substance by the members of the general assembly.

29 This bill relates to the investment requirements for data
30 center businesses that claim certain sales tax exemptions and
31 sales and use tax refunds.

32 The bill requires a data center business (data center) that
33 claims a sales tax exemption or sales and use tax refunds
34 (exemptions and refunds) to, by the end of the calendar year,
35 invest a minimum of 5 percent of the aggregate value of the

1 exemption or refund claimed for the previous year as an equity
2 investment in either a qualifying business or an innovation fund.
3 The department of revenue (department) shall annually provide the
4 aggregate value of the exemptions and refunds claimed by a data
5 center as disclosed in the data center's annual report, and the
6 economic development authority (authority) shall verify the data
7 center made the required equity investments.

8 If a data center does not make the required equity
9 investments, the authority shall notify the department, which
10 shall cancel the registration of the data center for, and
11 the data center shall not receive, a sales tax exemption.
12 Additionally, the data center shall repay the aggregate amount
13 of the exemptions and refunds claimed for which the year the data
14 center did not make the required investment. Repayment shall be
15 considered a tax payment due and payable to the department, and
16 the failure to make the repayment may be treated as a failure
17 to pay the tax shown due, or required to be shown due, with the
18 filing of a return or deposit form.

19 The authority may adopt rules to administer the bill.

20 Under current law, a data center shall register with the
21 department as a data center and shall file an annual report
22 with the department describing the backup power generation fuel
23 and electricity purchased in the previous year and any other
24 information the department requires. The bill requires the
25 annual report to describe the aggregate sales price amount of
26 the backup power generation fuel and electricity. Additionally,
27 beginning with the annual report due January 31, 2027, a data
28 center's annual report shall contain, from the previous calendar
29 year, the aggregate sales price amount of exempt property
30 purchased, and the amount of sales and use tax refunds received.