

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
5 use tax refund under section 423.4, subsections 7 and 8, shall,
6 by the end of the calendar year, invest a minimum of five
7 percent of the aggregate value of the sales tax exemption and
8 sales or use tax refund claimed for the immediately preceding
9 calendar year as 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
16 tax refunds claimed by the data center business as disclosed in
17 the annual report of the data center business required pursuant
18 to section 423.3, subsection 95, paragraph “b”, subparagraph
19 (5).

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

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

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

1 in the same manner as a failure to pay the tax shown due,
2 or required to be shown due, with the filing of a return or
3 deposit form.

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

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

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

17 (b) Beginning with the annual report due on or after January
18 31, 2027, the annual report shall also contain all of the
19 following information from the previous calendar year:

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

22 (ii) The amount of sales and use tax refunds under section
23 423.4, subsections 7 and 8.

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

28 EXPLANATION

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

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

34 The bill requires a data center business (data center) that
35 claims a sales tax exemption or sales and use tax refunds

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

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

22 The authority may adopt rules to administer the bill.

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