SUBSTITUTE FOR
SENATE BILL NO. 237

A bill to amend 1937 PA 94, entitled "Use tax act,"
by amending section 4cc (MCL 205.94cc), as added by 2015 PA 252.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 4cc. (1) Subject to subsections (2) and (3), beginning January 1, 2016 through December 31, 2025, 2035, 2050, the tax under this act does not apply to the storage, use, or consumption of data center equipment sold to the owner or operator of a qualified data center or a colocated business for assembly, use, or consumption in the operations of the qualified data center or data center equipment sold or provided to a person engaged in the business of constructing, altering, repairing, or improving real estate for others to the extent the data center equipment is to be affixed to
or made a structural part of a qualified data center.

(2) The exemption under this section only subsection (1) continues to apply after January 1, 2022, only if the numbers gathered by the local economic development corporations are certified and reported to the department of talent and economic development Michigan strategic fund and subsequently forwarded to the department and demonstrate that the qualified data centers, the colocated businesses, and the contractors of the qualified data centers, collectively, have, in aggregate, established in this state at least 400 data center industry jobs or data center industry related jobs, or a combination of both, since January 1, 2016. The department of talent and economic development Michigan strategic fund shall submit a report no later than April 1, 2022 related to the number of data center industry jobs or data center industry related jobs that have been established since January 1, 2016 to the speaker and minority leader of the house of representatives, the majority and minority leaders of the senate, and the governor. As used in this subsection and subsection (3), "data center industry jobs" and "data center industry related jobs" do not include qualified new jobs as that term is defined in subsection (9)(e)(v)(C).

(3) The exemption under this section only subsection (1) continues to apply after January 1, 2026, only if the numbers gathered by the local economic development corporations are certified and reported to the department of talent and economic development Michigan strategic fund and subsequently forwarded to the department and demonstrate that the qualified data centers, the colocated businesses, and the contractors of the qualified data centers, collectively, have, in aggregate, established in this state...
state at least 1,000 data center industry jobs or data center industry related jobs, or a combination of both, since January 1, 2016. The department of talent and economic development—Michigan strategic fund—shall submit a report no later than April 1, 2026 related to the number of data center industry jobs or data center industry related jobs that have been established since January 1, 2016 to the speaker and minority leader of the house of representatives, the majority and minority leaders of the senate, and the governor.

(4) Subject to subsection (5), beginning on the effective date of the amendatory act that added this subsection through December 31, 2050 or, with respect to an enterprise data center subject to a certificate that is located on the property included in a brownfield plan under the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2670, or on property that was once an industrial site used primarily as a power plant to generate electricity for sale, through December 31, 2065, the storage, use, or consumption of data center equipment sold to either of the following is exempt from the tax imposed by this act:

(a) A qualified entity or its affiliates for assembly, use, or consumption in the operations of an enterprise data center subject to a certificate.

(b) A person engaged in the business of constructing, altering, repairing, or improving real estate for others to the extent the data center equipment is to be affixed to or made a structural part of an enterprise data center subject to a certificate.

(5) In order for a purchaser to claim an exemption under subsection (4), at the time the data center equipment is sold to
the purchaser, the qualified entity must have received a
certificate for that facility which is in good standing.

(6) All of the following apply with respect to the exemption
under subsection (4):

(a) A person seeking a certificate for an enterprise data
center must apply to the Michigan strategic fund on a form and in
the manner prescribed by the Michigan strategic fund. The
application must include an affirmation signed by the applicant
stating that it expects the facility to satisfy each of the
criteria for an enterprise data center under subsection (9)(e) and
the anticipated time frame for doing so, which must not exceed 6
years. Within 120 days after receiving a complete and correct
application, the Michigan strategic fund or its designees, which
may include authorized employees, officers, and agents of the
Michigan strategic fund and employees of the Michigan economic
development corporation, shall review the application and either
issue a certificate to the applicant or provide written reasons for
its denial. The certificate must specify a time frame for a
facility to satisfy each of the criteria for an enterprise data
center under subsection (9)(e), which time frame must be the lesser
of 6 years or the time frame identified by the applicant on the
application. The Michigan strategic fund shall provide the
department with a copy of each certificate issued under this
subdivision.

(b) The qualified entity of a facility for which a certificate
has been issued shall report to the Michigan strategic fund
purchases for which an exemption is claimed under subsection (4),
and employment, tax withholding, capital investment, and other
information required by the Michigan strategic fund to determine
whether the facility continues to qualify as an enterprise data
center. The Michigan strategic fund shall provide the department
with a copy of each report received under this subdivision from a
qualified entity. The report required by this subdivision is
subject to audit and must be made on an annual basis following
issuance of the certificate. The report required by this
subdivision must not include any remittance for tax and does not
constitute a return or otherwise alleviate any obligations under
section 6. Except for the provision of a copy of each report to the
department as required under this subdivision, the Michigan
strategic fund shall not disclose any information that is not
aggregated or any information that could be used to identify a
specific person or data center.

(c) Not later than 3 years after a facility for which a
certificate has been issued is placed in service, the qualified
entity of the facility shall certify to the Michigan strategic
fund, in the form and manner prescribed by the Michigan strategic
fund, that the facility has attained certification under 1 or more
of the green building standards described in subsection (9)(e)(vii).

(d) The Michigan strategic fund shall revoke a certificate
issued under subdivision (a) if it determines a facility no longer
meets the definition of an enterprise data center. If the Michigan
strategic fund determines revocation is appropriate, it shall
provide written notice to the qualified entity and the department
not less than 60 days, but not more than 180 days, before
revocation, notifying the qualified entity of its preliminary
determination to revoke the certificate and providing the qualified
entity an opportunity to demonstrate, within the time period
specified in the notice, that the facility continues to meet the
definition of an enterprise data center. Following the expiration
of the time period specified in the notice, if the Michigan
strategic fund determines that the facility does not meet the
definition of an enterprise data center, the Michigan strategic
fund shall revoke the certificate. If revocation occurs not more
than 10 years after issuance of the certificate, the former
qualified entity shall pay to the department an amount equal to the
entire amount of the tax exemptions stemming from the certificate
that have been received under subsection (4) by all persons, plus
interest as specified in section 23(2) of 1941 PA 122, MCL 205.23,
calculated from January 1 of the year the exemption was received
until the amount is paid to the department under this subdivision.
If revocation occurs more than 10 years after issuance of the
certificate, the former qualified entity shall pay to the
department an amount equal to the entire amount of the tax
exemptions stemming from the certificate that have been received
under subsection (4) by all persons, plus interest as specified in
section 23(2) of 1941 PA 122, MCL 205.23, calculated from January 1
of the year the exemption was received until the amount is paid to
the department under this subdivision, unless the Michigan
strategic fund determines, pursuant to published guidelines, that a
lesser amount, but not less than an amount equal to 50% of the
entire amount of the tax exemptions stemming from the certificate
that have been received by all persons under subsection (4), is
appropriate after evaluating the circumstances. During the time
period specified in the notice described in this subdivision, all
persons must cease claiming a tax exemption stemming from the
certificate under subsection (4). If a certificate is revoked, the
Michigan strategic fund shall notify the department within 5 days
after the revocation.

    (e) The Michigan strategic fund shall have the powers necessary to charge and collect reasonable administrative fees to effectuate the purpose of this section.

    (7) A person engaged in the business of constructing, altering, repairing, or improving real estate for others that has claimed an exemption under subsection (4)(b) for a particular facility must submit an annual summary report to the qualified entity or former qualified entity to which a certificate for that facility was issued on or before January 1 of each year that provides, at a minimum, information sufficient to identify the person that made the purchases and the purchase price of all items purchased each month of that year. Such a person must also maintain all invoices, bills of sale, or similar documents for all claimed exempt purchases that indicate the date of purchase, the items purchased, and the purchase price of the property that is identified in the summary report for 4 years after the date of the purchase. Except as otherwise provided in subsection (6)(b), the Michigan strategic fund shall not disclose any information that is not aggregated or any information that could be used to identify a specific person or data center.

    (8) The legislature encourages a person claiming an exemption under this section to take direct steps to adopt practices to mitigate negative environmental impacts resulting from expanded use of data centers, including through all of the following:

        (a) To the extent possible, procuring or contracting for power from renewable sources.

        (b) Adopting practices to improve the energy efficiency of existing data centers, including through upgrading and
consolidating technology, managing data center airflow, and
adjusting and improving heating, ventilation, and air conditioning
systems.

(c) Taking actions to conserve, reuse, and replace water,
including, but not limited to, all of the following:

(i) Using water efficient fixtures and practices.

(ii) Treating, infiltrating, and harvesting rainwater.

(iii) Recycling water before discharging.

(iv) Partnering with local water utilities to use discharged
water for irrigation and other water conservation purposes.

(v) Using reclaimed water where possible for data center
operations.

(vi) Supporting water restoration in local watersheds.

(9) (4) As used in this section:

(a) "Affiliate" means a person that directly, or indirectly
through 1 or more intermediaries, controls, is controlled by, or is
under common control with a specified person.

(b) "Certificate" means the document issued by the Michigan
strategic fund to an applicant under subsection (6)(a) that
certifies or otherwise establishes that the facility developed,
owned, and operated by the applicant or an affiliate of the
applicant, or to be developed, owned, and operated by the applicant
or an affiliate of the applicant, and identified in that document
qualifies as an enterprise data center under this section.

(c) (5) "Colocated business" means a person that has entered
into a contract with the owner or operator of a qualified data
center to use or deploy data center equipment physically located
within the qualified data center, which contract, including all
renewals, has been in place for a period of 1 or more years.
(d) "Data center equipment" means only computers, servers, routers, switches, peripheral computer devices, racks, shelving, cabling, wiring, storage batteries, back-up generators, uninterrupted power supply units, environmental control equipment, other redundant power supply equipment, and prewritten computer software used in operating, managing, or maintaining the qualified data center or enterprise data center or the business of the qualified data center or a colocated business. Data center equipment also includes any construction materials used or assembled for the construction or modification of an enterprise data center or, under the qualified data center's proprietary method, for the construction or modification of a qualified data center, including, but not limited to, building materials, infrastructure, machinery, wiring, cabling, devices, tools, and equipment that would otherwise be considered a fixture or related equipment. Data center equipment does not include any equipment owned by a third party that is used to supply the qualified data center's primary power.

(e) "Enterprise data center" means, subject to subdivision (f), a facility that the Michigan strategic fund determines meets, or is expected to meet within the time frame set forth in the certificate, all of the following requirements:

(i) The facility is located in this state.

(ii) The facility is composed of 1 or more buildings.

(iii) The facility is designed and intended for housing, and does house, data center equipment to centralize the storage and processing of data.

(iv) The aggregate capital investment in the facility described in this subdivision made by the qualified entity, and any of its
affiliates that will develop, own, and operate the facility, is not less than $250,000,000.00. As used in this subparagraph, "aggregate capital investment" means the capital investment made and maintained in the facility to the extent that investment results in an increase in the total capital investment that the qualified entity and its affiliates, in the aggregate, maintain in this state when compared to the total capital investment that the applicant and its affiliates, in the aggregate, maintained in this state before issuance of the certificate, as determined and verified by the Michigan strategic fund.

(v) The qualified entity and any of its affiliates, in the aggregate, create and maintain a minimum of 30 qualified new jobs in this state with an annual wage that is equal to 150% or more of the prosperity region median wage through December 31, 2050 or, for a facility that is located on the property included in a brownfield plan under the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2670, or on property that was once an industrial site used primarily as a power plant to generate electricity for sale, through December 31, 2065. As used in this subparagraph:

(A) "Prosperity region" means each of the 10 prosperity regions identified by the department of technology, management, and budget on August 25, 2017.

(B) "Prosperity region median wage" means the median annual wage for the prosperity region where the facility is located based on the most recent data made available by the Michigan bureau of labor market information and strategic initiatives.

(C) "Qualified new job" means a full-time job created by the qualified entity or its affiliates at the facility that is in
excess of the number of full-time jobs that the applicant and its affiliates maintained in this state before issuance of the certificate, as determined and verified by the Michigan strategic fund.

(vi) Except as otherwise provided in this subparagraph, the facility does not receive and, through the applicable date, will not receive any state or local property tax benefit, including, but not limited to, property tax benefits available under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155, the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, and 1974 PA 198, 207.551 to 207.572. This subparagraph does not apply if the governing body of each local unit of government affected by the property tax benefit approves the receipt of the property tax benefit by resolution. As used in this subparagraph:

(A) "Applicable date" means the date specified in sub-sub-subparagraph (I) or (II), as applicable:

(I) For a facility that is located on the property included in a brownfield plan under the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2670, or on property that was once an industrial site used primarily as a power plant to generate electricity for sale, December 31, 2065.

(II) For any facility not described in sub-sub-subparagraph (I), December 31, 2050.

(B) "Governing body" means the body in which the legislative powers of a local unit of government are vested.

(C) "Local unit of government" means a city, village, township, or county.

(D) "Property tax benefits" means any benefits that reduce the property tax burden on the facility for purposes of encouraging
economic development, such as property tax exemptions, millage rate or valuation reductions, and property tax capture, other than property tax capture under a brownfield plan that has been approved by the governing board under the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2670, and that is in effect at the time of the application under subsection (6)(a).

(vii) Not later than 3 years after being placed in service, the facility will attain certification under, and the qualified entity of the facility will certify to the Michigan strategic fund in accordance with subsection (6)(c) that the facility has obtained certification under, 1 or more of the following green building standards:

(A) BREEAM for New Construction or BREEAM for In-Use.
(B) ENERGY STAR.
(C) Envision.
(D) ISO 50001 - energy management.
(E) LEED for Building Design and Construction or LEED for Operations and Maintenance.
(F) Green Globes for New Construction or Green Globes for Existing Buildings.
(G) UL 3223.

(viii) Before the start of operations, the facility will use municipal water or, if the facility cannot use municipal water before the start of operations, the facility will develop a plan to convert to using municipal water within 5 years after the start of operations.

(f) Enterprise data center does not include a facility that the Michigan strategic fund determines no longer meets, or is no longer expected to meet within the time frame set forth in the
certificate, the requirements in subdivision (e).

(g) "Michigan economic development corporation" means that term as defined in section 4 of the Michigan strategic fund act, 1984 PA 270, MCL 125.2004.

(h) "Michigan strategic fund" means the Michigan strategic fund as described in the Michigan strategic fund act, 1984 PA 270, MCL 125.2001 to 125.2094.

(i) "Qualified data center" means a facility composed of 1 or more buildings located in this state and the facility is owned or operated by an entity engaged at that facility in operating, managing, or maintaining a group of networked computers or networked facilities for the purpose of centralizing, or allowing 1 or more colocated businesses to centralize, the storage, processing, management, or dissemination of data of 1 or more other persons who is not an affiliate of the owner or operator of a qualified data center or of a colocated business and the entity receives 75% or more of its revenue from colocated businesses that are not an affiliate of the owner or operator of the qualified data center.

(j) "Qualified entity" means an applicant to whom a certificate is issued for a particular enterprise data center project under subsection (6)(a) and who is in compliance with the requirements of subsections (5) and (6).

Enacting section 1. This amendatory act takes effect 90 days after the date it is enacted into law.