

HOUSE SUBSTITUTE FOR

SENATE BILL NO. 616

(as amended December 15, 2015)

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 12 (MCL 205.62), as amended by 2008 PA 438, and
by adding section 4ee.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 4EE. (1) [SUBJECT TO SUBSECTIONS (2) AND (3), BEGINNING]
JANUARY 1, 2016 THROUGH DECEMBER 31,
2 2035, A SALE OF DATA CENTER EQUIPMENT TO THE OWNER OR OPERATOR OF A
3 QUALIFIED DATA CENTER OR A COLOCATED BUSINESS FOR ASSEMBLY, USE, OR
4 CONSUMPTION IN THE OPERATIONS OF THE QUALIFIED DATA CENTER OR A
5 SALE OF DATA CENTER EQUIPMENT TO A PERSON ENGAGED IN THE BUSINESS
6 OF CONSTRUCTING, ALTERING, REPAIRING, OR IMPROVING REAL ESTATE FOR
7 OTHERS TO THE EXTENT THE DATA CENTER EQUIPMENT IS TO BE AFFIXED TO
8 OR MADE A STRUCTURAL PART OF A QUALIFIED DATA CENTER IS EXEMPT FROM
9 THE TAX UNDER THIS ACT.

[(2) THE EXEMPTION UNDER THIS SECTION ONLY CONTINUES TO APPLY AFTER
JANUARY 1, 2022, IF THE NUMBERS GATHERED BY THE LOCAL ECONOMIC
DEVELOPMENT CORPORATIONS ARE CERTIFIED AND REPORTED TO THE DEPARTMENT OF
TALENT AND ECONOMIC DEVELOPMENT 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 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.

(3) THE EXEMPTION UNDER THIS SECTION ONLY CONTINUES TO APPLY AFTER
JANUARY 1, 2026, IF THE NUMBERS GATHERED BY THE LOCAL ECONOMIC
DEVELOPMENT CORPORATIONS ARE CERTIFIED AND REPORTED TO THE DEPARTMENT OF
TALENT AND ECONOMIC DEVELOPMENT 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
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 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) 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) "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 FOR A PERIOD OF 1 OR MORE YEARS.

(C) "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 THE BUSINESS OF THE QUALIFIED DATA CENTER OR A COLOCATED BUSINESS. DATA CENTER EQUIPMENT ALSO INCLUDES ANY CONSTRUCTION MATERIALS USED OR ASSEMBLED 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.

(D) "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,

1 MANAGING, OR MAINTAINING A GROUP OF NETWORKED COMPUTERS OR
2 NETWORKED FACILITIES FOR THE PURPOSE OF CENTRALIZING, OR ALLOWING 1
3 OR MORE COLOCATED BUSINESSES TO CENTRALIZE, THE STORAGE,
4 PROCESSING, MANAGEMENT, OR DISSEMINATION OF DATA OF 1 OR MORE OTHER
5 PERSONS WHO IS NOT AN AFFILIATE OF THE OWNER OR OPERATOR OF A
6 QUALIFIED DATA CENTER OR OF A COLOCATED BUSINESS AND THAT ENTITY
7 RECEIVES 75% OR MORE OF ITS REVENUE FROM COLOCATED BUSINESSES THAT
8 ARE NOT AN AFFILIATE OF THE OWNER OR OPERATOR OF THE QUALIFIED DATA
9 CENTER.

10 Sec. 12. (1) If an exemption from the tax under this act is
11 claimed, the seller shall obtain identifying information of the
12 purchaser and the reason for claiming the exemption at the time of
13 the purchase or at a later date. The seller shall obtain the same
14 information for a claimed exemption regardless of the medium in
15 which the transaction occurred.

16 (2) A seller shall use a standard format for claiming an
17 exemption electronically as adopted by the governing board under
18 the streamlined sales and use tax agreement.

19 (3) A purchaser is not required to provide a signature to
20 claim an exemption under this act unless a paper exemption form is
21 used.

22 (4) A seller shall maintain a proper record of all exempt
23 transactions and shall provide the record if requested by the
24 department.

25 (5) A seller who complies with the requirements of this
26 section is not liable for the tax if a purchaser improperly claims
27 an exemption. A purchaser who improperly claims an exemption is

1 liable for the tax due under this act. This subsection does not
2 apply if a seller fraudulently fails to collect the tax, solicits a
3 purchaser to make an improper claim for exemption, or accepts an
4 exemption form when the purchaser claims an entity-based exemption
5 if both of the following circumstances occur:

6 (a) The subject of the transaction sought to be covered by the
7 exemption form is actually received by the purchaser at a location
8 operated by the seller.

9 (b) The state in which that location operated by the seller is
10 located provides an exemption form that clearly and affirmatively
11 indicates that the claimed exemption is not available in that
12 state.

13 (6) A seller who obtains a fully completed exemption form or
14 captures the relevant data elements as outlined in this section
15 within 120 days after the date of sale is not liable for the tax.

16 (7) If the seller has not obtained an exemption form or all
17 relevant data elements, the seller may either prove that the
18 transaction was not subject to tax by other means or obtain a fully
19 completed exemption form from the purchaser, by the later of the
20 following:

21 (a) 120 days after a request by the department.

22 (b) The date an assessment becomes final.

23 (c) The denial of a claim for refund.

24 (d) In the instance of a credit audit, the issuance of an
25 audit determination letter or informal conference decision and
26 order of determination.

27 (e) The date of a final order of the court of claims or the

1 Michigan tax tribunal, as applicable, with respect to an
2 assessment, order, or decision of the department.

3 (8) The department may, in its discretion, allow a seller
4 additional time to comply with subsection (7).

5 (9) A seller is not liable for the tax **UNDER THIS ACT** if the
6 seller obtains a blanket exemption form for a purchaser with which
7 the seller has a recurring business relationship. Renewals of
8 blanket exemption forms or updates of exemption form information or
9 data elements are not required if there is a recurring business
10 relationship between the seller and the purchaser. For purposes of
11 this section, a recurring business relationship exists when a
12 period of not more than 12 months elapses between sales
13 transactions.

14 (10) A certified service provider shall be considered a seller
15 under this section. As used in this section, "certified service
16 provider" means that term as defined in section 25 of the
17 streamlined sales and use tax administration act, 2004 PA 174, MCL
18 205.825.

19 Enacting section 1. The legislature shall annually appropriate
20 sufficient funds from the state general fund to the state school
21 aid fund created in section 11 of article IX of the state
22 constitution of 1963 to fully compensate for any loss of revenue to
23 the state school aid fund resulting from the enactment of this
24 amendatory act.