

# DEPARTMENT OF TAXATION

## 2018 Fiscal Impact Statement

1. **Patron** Siobhan S. Dunnavant

3. **Committee** Passed House and Senate

2. **Bill Number** SB 268  
**House of Origin:**  
           **Introduced**  
           **Substitute**  
           **Engrossed**

4. **Title** Personal Property Tax; Separate  
Classification for Data Center Equipment

**Second House:**  
           **In Committee**  
           **Substitute**  
      X       **Enrolled**

### 5. **Summary/Purpose:**

This bill would create a separate classification for computer equipment and peripherals used in data centers when valuing such equipment for personal property tax purposes. It also provides that this new classification of property must be valued by means of a percentage or percentages of original cost or by such other method as may reasonably be expected to determine the actual fair market value.

Under current law, computer equipment and peripherals used in a data center do not have a separate classification for valuation purposes.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

### 8. **Fiscal implications:**

#### Administrative Costs

This bill could have an unknown administrative cost to localities because they may need to change the method by which they value computer equipment and peripherals used in data centers.

#### Revenue Impact

This bill could have an unknown revenue impact on localities because localities may need to change their valuation of such equipment, resulting in a change in the tax amount due.

This bill would have no impact on state revenues.

9. **Specific agency or political subdivisions affected:** All localities

**10. Technical amendment necessary: No**

**11. Other comments:**

Under current law, tangible personal property is classified under a number of separate classifications for valuation purposes, which are not to be considered separate classes for rate purposes. Localities may value property within these separate classifications differently, so long as each method used is uniform within each category, is consistent with the specified requirements for each separate classification, and may reasonably be expected to determine actual fair market value as determined by the commissioner of the revenue or other assessing official.

There are currently nineteen separate classifications of tangible personal property for valuation purposes, which include:

- Farm animals, unless exempt under another classification;
- Farm machinery, unless exempt under another classification;
- Certain automobiles;
- Trucks of less than two tons;
- Trucks and other vehicles not separately classified;
- Manufactured homes;
- Antique motor vehicles that may be used for general transportation purposes;
- Taxicabs;
- Motor vehicles with specially designed equipment for use by the handicapped;
- Motorcycles, all-terrain vehicles and off-road motorcycles, campers and other recreational vehicles;
- Boats weighing under five tons and boat trailers;
- Boats or watercraft weighing five tons or more;
- Aircraft;
- Household goods and personal effects;
- Tangible personal property used in a research and development business;
- Programmable computer equipment and peripherals;
- All tangible personal property employed in a trade or business
- Outdoor advertising signs; and
- All other tangible personal property.

Computer equipment and peripherals used in data centers are currently valued under one of these established classifications.

Proposal

This bill would create a separate Tangible Personal Property Tax classification for purposes of valuation of computer equipment and peripherals used in a data center.

The bill would require that this new classification of property be valued by means of a percentage or percentages of original cost or by such other method as may reasonably be expected to determine the actual fair market value.

The effective date of this bill is not specified.

### Similar Legislation

**House Bill 828** is identical to this bill.

cc : Secretary of Finance

Date: 2/28/2018 SK  
DLAS File Name: SB268FER161