

**SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 4906**

A bill to amend 1933 PA 167, entitled  
"General sales tax act,"  
by amending section 4ee (MCL 205.54ee), as added by 2015 PA 251.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 4ee. (1) Subject to subsections (2) and (3), beginning  
2       January 1, 2016 through December 31, ~~2035~~, **2050**, a sale of data  
3       center equipment to the owner or operator of a qualified data  
4       center or a colocated business for assembly, use, or consumption in  
5       the operations of the qualified data center or a sale of data  
6       center equipment to a person engaged in the business of  
7       constructing, altering, repairing, or improving real estate for  
8       others to the extent the data center equipment is to be affixed to  
9       or made a structural part of a qualified data center is exempt from

1 the tax under this act.

2 (2) The exemption under ~~this section only~~ **subsection (1)**  
3 continues to apply after January 1, 2022, **only** if the numbers  
4 gathered by the local economic development corporations are  
5 certified and reported to the ~~department of talent and economic~~  
6 ~~development~~ **Michigan strategic fund** and subsequently forwarded to  
7 the department and demonstrate that the qualified data centers, the  
8 colocated businesses, and the contractors of the qualified data  
9 centers, collectively, have, in aggregate, established in this  
10 state at least 400 data center industry jobs or data center  
11 industry related jobs, or a combination of both, since January 1,  
12 2016. The ~~department of talent and economic development~~ **Michigan**  
13 **strategic fund** shall submit a report no later than April 1, 2022  
14 related to the number of data center industry jobs or data center  
15 industry related jobs that have been established since January 1,  
16 2016 to the speaker and minority leader of the house of  
17 representatives, the majority and minority leaders of the senate,  
18 and the governor. **As used in this subsection and subsection (3),**  
19 **"data center industry jobs" and "data center industry related jobs"**  
20 **do not include qualified new jobs as that term is defined in**  
21 **subsection (10) (e) (v) (C).**

22 (3) The exemption under ~~this section only~~ **subsection (1)**  
23 continues to apply after January 1, 2026, **only** if the numbers  
24 gathered by the local economic development corporations are  
25 certified and reported to the ~~department of talent and economic~~  
26 ~~development~~ **Michigan strategic fund** and subsequently forwarded to  
27 the department and demonstrate that the qualified data centers, the  
28 colocated businesses, and the contractors of the qualified data  
29 centers, collectively, have, in aggregate, established in this

1 state at least 1,000 data center industry jobs or data center  
2 industry related jobs, or a combination of both, since January 1,  
3 2016. The ~~department of talent and economic development~~ **Michigan**  
4 **strategic fund** shall submit a report no later than April 1, 2026  
5 related to the number of data center industry jobs or data center  
6 industry related jobs that have been established since January 1,  
7 2016 to the speaker and minority leader of the house of  
8 representatives, the majority and minority leaders of the senate,  
9 and the governor.

10 (4) Subject to subsection (5), beginning on the effective date  
11 of the amendatory act that added this subsection through December  
12 31, 2050 or, with respect to an enterprise data center subject to a  
13 certificate that is located on the property included in a  
14 brownfield plan under the brownfield redevelopment financing act,  
15 1996 PA 381, MCL 125.2651 to 125.2670, or on property that was once  
16 an industrial site used primarily as a power plant to generate  
17 electricity for sale, through December 31, 2065, the sale of data  
18 center equipment to either of the following is exempt from the tax  
19 imposed by this act:

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

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

28 (5) In order for a purchaser to claim an exemption under  
29 subsection (4), at the time the data center equipment is sold to

1 the purchaser, the qualified entity must have received a  
2 certificate for that facility which is in good standing.

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

5 (a) A person seeking a certificate for an enterprise data  
6 center must apply to the Michigan strategic fund on a form and in  
7 the manner prescribed by the Michigan strategic fund. The  
8 application must include an affirmation signed by the applicant  
9 stating that it expects the facility to satisfy each of the  
10 criteria for an enterprise data center under subsection (10) (e) and  
11 the anticipated time frame for doing so, which must not exceed 6  
12 years. Subject to subsection (9), within 120 days after receiving a  
13 complete and correct application, the Michigan strategic fund or  
14 its designees, which may include authorized employees, officers,  
15 and agents of the Michigan strategic fund and employees of the  
16 Michigan economic development corporation, shall review the  
17 application and either issue a certificate to the applicant or  
18 provide written reasons for its denial. The certificate must  
19 specify a time frame for a facility to satisfy each of the criteria  
20 for an enterprise data center under subsection (10) (e), which time  
21 frame must be the lesser of 6 years or the time frame identified by  
22 the applicant on the application. The Michigan strategic fund shall  
23 provide the department with a copy of each certificate issued under  
24 this subdivision.

25 (b) The qualified entity of a facility for which a certificate  
26 has been issued shall report to the Michigan strategic fund  
27 purchases for which an exemption is claimed under subsection (4),  
28 and employment, tax withholding, capital investment, and other  
29 information required by the Michigan strategic fund to determine

1 whether the facility continues to qualify as an enterprise data  
2 center. The Michigan strategic fund shall provide the department  
3 with a copy of each report received under this subdivision from a  
4 qualified entity. The report required by this subdivision is  
5 subject to audit and must be made on an annual basis following  
6 issuance of the certificate. The report required by this  
7 subdivision must not include any remittance for tax and does not  
8 constitute a return or otherwise alleviate any obligations under  
9 section 6. Except for the provision of a copy of each report to the  
10 department as required under this subdivision, the Michigan  
11 strategic fund shall not disclose any information that is not  
12 aggregated or any information that could be used to identify a  
13 specific person or data center.

14 (c) Not later than 3 years after a facility for which a  
15 certificate has been issued is placed in service, the qualified  
16 entity of the facility shall certify to the Michigan strategic  
17 fund, in the form and manner prescribed by the Michigan strategic  
18 fund, that the facility has attained certification under 1 or more  
19 of the green building standards described in subsection (10) (e) (vii) .

20 (d) The Michigan strategic fund shall revoke a certificate  
21 issued under subdivision (a) if it determines a facility no longer  
22 meets the definition of an enterprise data center. If the Michigan  
23 strategic fund determines revocation is appropriate, it shall  
24 provide written notice to the qualified entity and the department  
25 not less than 60 days, but not more than 180 days, before  
26 revocation, notifying the qualified entity of its preliminary  
27 determination to revoke the certificate and providing the qualified  
28 entity an opportunity to demonstrate, within the time period  
29 specified in the notice, that the facility continues to meet the

1 definition of an enterprise data center. Following the expiration  
2 of the time period specified in the notice, if the Michigan  
3 strategic fund determines that the facility does not meet the  
4 definition of an enterprise data center, the Michigan strategic  
5 fund shall revoke the certificate. If revocation occurs not more  
6 than 10 years after issuance of the certificate, the former  
7 qualified entity shall pay to the department an amount equal to the  
8 entire amount of the tax exemptions stemming from the certificate  
9 that have been received under subsection (4) by all persons, plus  
10 interest as specified in section 23(2) of 1941 PA 122, MCL 205.23,  
11 calculated from January 1 of the year the exemption was received  
12 until the amount is paid to the department under this subdivision.  
13 If revocation occurs more than 10 years after issuance of the  
14 certificate, the former qualified entity shall pay to the  
15 department an amount equal to the entire amount of the tax  
16 exemptions stemming from the certificate that have been received  
17 under subsection (4) by all persons, plus interest as specified in  
18 section 23(2) of 1941 PA 122, MCL 205.23, calculated from January 1  
19 of the year the exemption was received until the amount is paid to  
20 the department under this subdivision, unless the Michigan  
21 strategic fund determines, pursuant to published guidelines, that a  
22 lesser amount, but not less than an amount equal to 50% of the  
23 entire amount of the tax exemptions stemming from the certificate  
24 that have been received by all persons under subsection (4), is  
25 appropriate after evaluating the circumstances. During the time  
26 period specified in the notice described in this subdivision, all  
27 persons must cease claiming a tax exemption stemming from the  
28 certificate under subsection (4). If a certificate is revoked, the  
29 Michigan strategic fund shall notify the department within 5 days

1 after the revocation.

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

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

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

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

28 (b) Adopting practices to improve the energy efficiency of  
29 existing data centers, including through upgrading and

1 consolidating technology, managing data center airflow, and  
2 adjusting and improving heating, ventilation, and air conditioning  
3 systems.

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

6 (i) Using water efficient fixtures and practices.

7 (ii) Treating, infiltrating, and harvesting rainwater.

8 (iii) Recycling water before discharging.

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

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

13 (vi) Supporting water restoration in local watersheds.

14 (9) The Michigan strategic fund shall not issue any new  
15 certificates under subsection (6) (a) after December 31, 2029. This  
16 subsection does not affect any existing certificates that are in  
17 effect on December 31, 2029.

18 (10) ~~(4)~~—As used in this section:

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

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

29 (c) ~~(b)~~—"Colocated business" means a person that has entered



1 into a contract with the owner or operator of a qualified data  
2 center to use or deploy data center equipment physically located  
3 within the qualified data center, **which contract, including all**  
4 **renewals, has been in place** for a period of 1 or more years.

5 (d) ~~(e)~~—"Data center equipment" means only computers, servers,  
6 routers, switches, peripheral computer devices, racks, shelving,  
7 cabling, wiring, storage batteries, back-up generators,  
8 uninterrupted power supply units, environmental control equipment,  
9 other redundant power supply equipment, and prewritten computer  
10 software used in operating, managing, or maintaining the qualified  
11 data center **or enterprise data center** or the business of the  
12 qualified data center or a colocated business. Data center  
13 equipment also includes any construction materials used or  
14 assembled **for the construction or modification of an enterprise**  
15 **data center or**, under the qualified data center's proprietary  
16 method, for the construction or modification of a qualified data  
17 center, including, but not limited to, building materials,  
18 infrastructure, machinery, wiring, cabling, devices, tools, and  
19 equipment that would otherwise be considered a fixture or related  
20 equipment. Data center equipment does not include any equipment  
21 owned by a third party that is used to supply the qualified data  
22 center's primary power.

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

- 27 (i) The facility is located in this state.  
28 (ii) The facility is composed of 1 or more buildings.  
29 (iii) The facility is designed and intended for housing, and

1 does house, data center equipment to centralize the storage and  
2 processing of data.

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

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

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

28 (B) "Prosperity region median wage" means the median annual  
29 wage for the prosperity region where the facility is located based

1 on the most recent data made available by the Michigan bureau of  
2 labor market information and strategic initiatives.

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

9 (vi) Except as otherwise provided in this subparagraph, the  
10 facility does not receive and, through the applicable date, will  
11 not receive any state or local property tax benefit, including, but  
12 not limited to, property tax benefits available under the general  
13 property tax act, 1893 PA 206, MCL 211.1 to 211.155, the Michigan  
14 renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, and  
15 1974 PA 198, 207.551 to 207.572. This subparagraph does not apply  
16 if the governing body of each local unit of government affected by  
17 the property tax benefit approves the receipt of the property tax  
18 benefit by resolution. As used in this subparagraph:

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

21 (I) For a facility that is located on the property included in  
22 a brownfield plan under the brownfield redevelopment financing act,  
23 1996 PA 381, MCL 125.2651 to 125.2670, or on property that was once  
24 an industrial site used primarily as a power plant to generate  
25 electricity for sale, December 31, 2065.

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

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

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

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

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

17 (A) BREEAM for New Construction or BREEAM for In-Use.

18 (B) ENERGY STAR.

19 (C) Envision.

20 (D) ISO 50001 - energy management.

21 (E) LEED for Building Design and Construction or LEED for  
22 Operations and Maintenance.

23 (F) Green Globes for New Construction or Green Globes for  
24 Existing Buildings.

25 (G) UL 3223.

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

1 operations.

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

6 (g) "Michigan economic development corporation" means that  
7 term as defined in section 4 of the Michigan strategic fund act,  
8 1984 PA 270, MCL 125.2004.

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

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

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

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