KANSAS
COMMERCE

DATA CENTER SALES TAX EXEMPTION PROGRAM (KS SB98)

Program Background

Kansas' SB98 legislation creates one of the most competitive sales tax incentive programs for data centers in the United States. Qualified data centers making significant investments and job commitments in Kansas can receive a 20-year exemption from state and local sales tax on construction, equipment and related labor, with streamlined administration and long-term project support. This program is designed for large-scale, permanent data center operations.

Eligibility Requirements

- $250M minimum capital investment and must be made within 5 years after commencement of operations
- 20 new Kansas jobs created within 2 years of operations starting, with the primary work location in Kansas
- Must sign a 10-year electricity purchase agreement with the local utility provider
- Must implement water conservation, reuse, discharge partnerships or other sustainability practices
- Project equipment and software must be reviewed and approved by the Kansas Intelligence Fusion Center

Key Benefits

20-Year Sales Tax Exemption

- Applies to building construction and remodeling costs
- Covers purchase and installation of data center equipment (servers, generators, HVAC, cooling systems, fiber networks, security systems, etc.)
- Includes eligible site development costs (land acquisition, site improvements, engineering and design directly tied to the facility)
- Labor services related to installing, applying, repairing, servicing, altering or maintaining data center equipment are also exempt

High-Value Project Support

- Applies to distributed or campus-style data center locations connected by fiber
- Broad definition of "data center equipment" ensures most operational and facility hardware/software qualify

Long Term Stability

- Fixed 20-year exemption period once project is approved and operating
- No dependency on annual budget renewals or incentive caps

Streamlined Security Review

- Kansas Intelligence Fusion Center pre-approves equipment/software to ensure no critical infrastructure risks, providing certainty upfront

Confidentiality Protections

- Project data submitted for compliance review is largely shielded from public disclosure until 2030

Program Administration

- Apply with the Kansas Department of Commerce
- Execute agreement outlining investment, jobs and utility commitments
- Obtain certification to trigger sales tax exemption

Ongoing Compliance

- 5-year compliance reviews to confirm requirements are being met
- 120-day cure period for breaches before potential loss of benefit

Important Considerations

No Discounted Utility Rates

- Qualified data centers under SB98 are not eligible for discounted economic development electric rates offered to other types of projects

Clawback Provisions

- Failure to meet minimum commitments can result in repayment of all or part of the sales tax savings

FOR MORE INFORMATION

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