



2026 South Dakota Legislature

House Bill 1005

Introduced by: **Representative Roe**

1 **An Act to provide a sales and use tax exemption for goods and services related to**
 2 **data center operations.**

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 **Section 1. That a NEW SECTION be added to chapter 10-45:**

5 The terms used in this Act mean:

6 (1) "Computer software," programs and other operating information used solely for
 7 the maintenance and operation of a qualified data center;

8 (2) "Data center," a centralized repository for the storage, management,
 9 dissemination, and processing of electronic data and information, except for that
 10 which relates to the mining of digital currency;

11 (3) "Enterprise information technology equipment," the following products used solely
 12 for the maintenance and operation of a qualified data center:

13 (a) Computer hardware, servers, storage arrays, backup systems, disaster
 14 recovery equipment, routers, cooling systems, temperature control
 15 infrastructure, network equipment, switches, load balancers, firewalls,
 16 network cabling, edge devices, network monitoring equipment, water
 17 treatment systems, chilled water equipment, economizers, cooling towers,
 18 and piping and pump equipment for cooling towers;

19 (b) Power infrastructure for the management of electricity, dedicated
 20 distribution equipment, backup power generation systems, battery
 21 systems, construction materials for structures unique to data centers or
 22 other related infrastructure excluding primary electric generation service,
 23 transmission, or utility distribution infrastructure;

24 (c) Racking systems, raised flooring, cabling, or trays necessary for the
 25 maintenance and operation of a qualified data center;

- 1 (d) Security systems, physical access control systems, surveillance systems,
 2 biometric scanners, security monitoring equipment, and monitoring
 3 systems, environmental monitoring systems, infrastructure management
 4 tools, and building management systems;
- 5 (e) Testing and diagnostic equipment used for maintenance, commissioning, or
 6 troubleshooting;
- 7 (f) Telecommunications and fiber infrastructure, fiber optic cabling, satellite
 8 equipment, and internet exchange components; and
- 9 (g) Air quality systems, specialized HVAC, filtration, and humidity control
 10 equipment;
- 11 (4) "Qualified business," the owner, operator, or tenant of a qualified data center or a
 12 proposed data center;
- 13 (5) "Qualified data center," a facility located in this state:
- 14 (a) Comprised of one or more buildings containing a data center;
- 15 (b) Where all buildings that contain a data center qualify as real property
 16 subject to taxation pursuant to §§ 10-4-1 and 10-4-2;
- 17 (c) Where the qualifying date occurs on or after July 1, 2026, and on or before
 18 June 30, 2036; and
- 19 (d) Equipped with fire suppression and prevention systems; and
- 20 (6) "Qualifying date," the date on which a building permit is issued for the initial
 21 construction of the facility.

22 **Section 2. That a NEW SECTION be added to chapter 10-45:**

23 There are specifically exempted from the provisions of this chapter and from the
 24 computation of tax imposed by it, gross receipts from the sale of enterprise information
 25 technology equipment or computer software to be used in a qualified data center. A
 26 qualified business is exempt for a period of fifty years after the qualifying date.

27 **Section 3. That a NEW SECTION be added to chapter 10-45:**

28 To be eligible for the exemption provided in section 2 of this Act, a qualified
 29 business in a qualified data center, or a qualified business in a proposed qualified data
 30 center, shall submit any documentary evidence required by the Department of Revenue
 31 to verify the eligibility of the qualified data center or proposed data center. The
 32 documentary evidence required by this section is confidential. The secretary of the
 33 Department of Revenue shall determine if the qualified business is eligible.

1 To be eligible for the exemption provided by section 2 of this Act, a qualified
2 business shall:

3 (1) Ensure electric service provided to the qualified business by an electric utility is
4 under a written agreement or rate schedule that avoids the shifting of costs to
5 other customers of the electric utility; and

6 (2) Provide notice to local water providers to ensure that water consumption is
7 compatible for the location in which the qualified data center is situated.

8 Upon determining the eligibility of a future qualified business in a proposed
9 qualified data center, the secretary shall provide an exemption certificate for taxes
10 imposed pursuant to this chapter and chapter 10-46.

11 To retain eligibility for the exemption provided in section 2 of this Act, a qualified
12 business must file an affidavit with the secretary attesting that the data center or the
13 future data center qualifies for the exemption provided in section 2 of this Act, prior to
14 June first of each year.

15 **Section 4. That a NEW SECTION be added to chapter 10-46:**

16 There are specifically exempted from the provisions of this chapter, gross receipts
17 from the sale of enterprise information technology equipment or computer software to be
18 used in a qualified data center. A qualified business is exempt for a period of fifty years
19 after the qualifying date.