



## 2026 South Dakota Legislature

# Senate Bill 234

Introduced by: **Senator Crabtree**

1 **An Act to modify provisions pertaining to the purchasing of goods and services**  
 2 **related to 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, and construction materials for structures unique to data centers  
 22 or 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, and 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; and
- 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; and
- 17            (c) Equipped with fire suppression and prevention systems.

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

19            There are specifically exempted from the provisions of this chapter and from the  
 20            computation of tax imposed by it, gross receipts from the sale of enterprise information  
 21            technology equipment or computer software to be used in a qualified data center.

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

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

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

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

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

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

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

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

10        There are specifically exempted from the provisions of this chapter, gross receipts  
11        from the sale of enterprise information technology equipment or computer software to be  
12        used in a qualified data center.