



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

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Bill Number: H. 4925 Introduced on January 14, 2026
Subject: Datacenter
Requestor: House Ways and Means
RFA Analyst(s): Daigle
Impact Date: January 27, 2026

Fiscal Impact Summary

This bill amends Section 12-36-2120(79) relating to the sales tax exemptions for data centers. This bill would clarify the definition of qualifying data centers by expanding taxpayer to include a person who bears a relationship to the taxpayer as described in Internal Revenue Code (IRC) Section 267(b).

This bill will result in a minimal expenditure impact for the Department of Revenue (DOR) to update forms, the department website, and perform system changes. DOR indicates that the changes can be administered within existing staff and appropriations.

This bill provides that the sales tax exemption for qualified expenses of a data center applies to the taxpayer and persons with a qualifying relationship to the taxpayer, which essentially applies the current exemption to qualifying purchases regardless of the business structure of the entity operating the data center. As this bill provides clarification on the existing exemption but does not expand the definition of sales that qualify for the exemption, the bill is not expected to impact to state or local sales tax revenue.

Explanation of Fiscal Impact

Introduced on January 14, 2026

State Expenditure

This bill amends Section 12-36-2120(79) relating to the sales tax exemptions for data centers. This bill would clarify the definition of qualifying data centers by expanding taxpayer to include a person who bears a relationship to the taxpayer as described in IRC Section 267(b). This bill will result in a minimal expenditure impact in order to update forms, the department website, and perform system changes. DOR indicates that the changes can be administered within existing staff and appropriations.

State Revenue

This bill amends Section 12-36-2120(79) relating to the sales tax exemptions for data centers. This bill would clarify the definition of qualifying data centers by expanding taxpayer to include a person who bears a relationship to the taxpayer as described in IRC Section 267(b).

Currently, Section 12-36-2120(79) exempts original or replacement computers, computer equipment, computer hardware, and software purchases used within a data center from sales tax. It also exempts electricity used by a data center and eligible business property to be located and used at the data center. This section does not extend to sales of electricity for any other purpose including, but not limited to, administrative offices, supervisory offices, parking lots, cafeterias, etc. Under the current definition, a data center is a new or existing facility at a single location in South Carolina. DOR has previously indicated that less than five data centers currently claim the exemption. Given this limited number of taxpayers, information on the exact number of exempt data centers and the amount of sales tax currently exempt is not disclosed to protect taxpayer confidentiality.

This bill provides that for the purposes of the sales tax exemption for qualified expenses of a data center, taxpayer also includes a person with a qualifying relationship to the taxpayer. IRC Section 267(b) specifies that a person with a relationship to the taxpayer includes those such as family members, an individual and a corporation in which the individual owns 50 percent of the stock in the company, two corporations which are members of the same controlled group, a fiduciary of a trust and beneficiary of that trust, among others. Under this bill, the exemption will apply regardless of the business structure of the entity operating a data center, but the bill does not change the definition of qualifying expenses or qualifying data center. As this bill provides clarification on the existing exemption, the bill is not expected to impact state sales tax revenue.

Local Expenditure

N/A

Local Revenue

This bill provides that qualified expenses for the sales and use tax exemption are not dependent on the corporate structure of the entities operating data centers. As this bill provides clarification on the existing exemption, we anticipate no impact to local sales tax revenue.



Frank A. Rainwater, Executive Director