

LEGAL UPDATES

PUBLISHED: MAY 27, 2025

Services

Data Centers
State & Local
Taxation (SaLT)
Tax

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Kansas Enacts 20-Year Sales Tax Exemption for Data Centers

As part of a continuing trend, Kansas Governor Laura Kelly has signed SB98 into law, becoming the latest state to enact a sales tax exemption for qualified data centers. Many states, including neighboring Missouri (see RSMo. § 144.810) and Wisconsin (see current legislation AB245 that, if passed, would expand the exemption), have recently enacted sales tax exemptions to incentivize the location and expansion of data centers in their state.

To benefit from the Kansas exemption, a qualified firm must make investments in a qualified data center of at least \$250 million in the aggregate by the fifth year of operation. In addition, it must create and maintain at least 20 new jobs at the qualified data center within two calendar years after the commencement of operations.

Qualified firms engaged in the development, operation, or leasing of a qualified data center which meet the requirements will receive a sales tax exemption for eligible costs of the qualified data center and labor services to install, apply, repair, service, alter, or maintain data center equipment. Eligible data center costs means expenditures for the development, acquisition, construction, and operation of a qualified data center by a qualified firm, including, but not limited to, costs of land, buildings, site improvements, data center equipment, data center equipment acquisition and permitting, lease payments, site characterization and assessment, and engineering and design used directly and exclusively for a qualified data center.

Electricity does not qualify for the exemption, but the qualified firm must commit to purchase electricity for 10 years from the public utility that is certified to provide retail electric service in the territory where the qualified data center is located.

To be eligible, a qualified firm must submit an application to the secretary of commerce and, if approved, enters into an agreement with the secretary committing to the necessary investments, hiring, construction timelines, efficient water use, and other terms. If the qualified firm breaches a term or condition of the agreement, the secretary may require repayment of all or a part of the amount of sales tax exemption received.

The sales tax exemption is valid for 20 years after the date of commencement of operations. The law's effective date is July 1, 2025.

What this means to you

Parties considering an investment in the construction and operation of a large data center should evaluate whether they qualify for this tax exemption and the fiscal impact of these exemptions in addition to other pertinent considerations when determining in which state they should locate.

Contact us

Please reach out to Smitha Chintamaneni, Bill Schenkelberg, or a member of Husch Blackwell's State & Local Taxation (SaLT) team for assistance in evaluating, applying for, and understanding the applicability of various states' sales tax exemptions related to qualified data centers.