

Virginia Tax Advantages Can Mean Millions in Savings for Ashburn Data Center Clients

At Aligned Ashburn, colocation clients can leverage tax incentives to generate significant savings – millions of dollars in many cases. It's yet another reason why Ashburn, Virginia is the top data center market and Aligned is a provider of choice.

Brief: Virginia Tax Advantages

- Northern Virginia ranks highly for its regulatory climate because of business-friendly government policies and strong incentive offerings available to data center clients.
- Ashburn data center customers that contract with Aligned and complete a Participation Certificate will get a sales tax exemption on equipment purchases.
- For most clients, this incentive will be a significant source of savings. Clients are exempt from sales taxes on purchases of data center equipment if they complete a participation certificate pursuant with the Memorandum of Understanding (MOU) that Aligned Energy has entered into with the Virginia Economic Development Partnership Authority (VEDP).
- The incentive provides Aligned's customers in Ashburn a 100% sales and use tax exemption through June 30, 2035, pursuant to VA Code § 58.1-609.3, Section 18, on all computer equipment or enabling software purchased or leased for the processing, storage, retrieval, or communication of data, including but not limited to, servers, routers, connections, and other enabling hardware purchased or leased by the customer for use at the Aligned campus.

Virginia Tax Advantages

Ashburn is the top U.S. data center market

There are many reasons why Ashburn is the top multi-tenant data center market in the U.S. This includes the existing super-high density fiber loops, readily available land and relatively low cost of energy and doing business. There are also high concentrations of connectivity exchanges, corporate headquarters, regional sales offices and the close proximity of the Federal Government.



Sales tax exemption on equipment purchases through 2035

In Virginia, qualified data center owners, operators and clients are exempt from state and local sales taxes on purchases of data center equipment until June 30, 2035. That's almost double the amount of time most eligible data centers and their tenants in other states are exempt.

“These northern Virginia data center tax incentives, combined with Virginia’s business-friendly environment, attract data center investment that would otherwise go to the District of Columbia and Maryland.”

► DATA CENTER FRONTIER SPECIAL REPORT

List of sales-tax exempt equipment

The tenant data center equipment that would be tax exempt includes computer equipment and enabling hardware and software purchased or leased by the tenant for use in their Ashburn data center operation. The following are identified by ruling 10-121 as exempt::

- Servers, mainframes
- Routers
- Networking infrastructure including cabling, switches, directors and wiring
- Data storage hardware
- Cabinets, racks and cable trays

For us, the exemption provides savings on purchases of equipment ranging from generators to network switches. For our clients, the exemption provides savings on purchases of equipment ranging from servers to monitoring software – substantially reducing the total cost associated with colocation.

The savings can be quite significant – \$1.2 million in this example

Up to \$3,420,000 the first year from the general fund shall be paid for a grant for the reimbursement of sales and use taxes paid by an eligible entity for purchase of certain computer equipment and enabling hardware pursuant to the second enactment clause of Senate Bill 130/House Bill 302, 2010 Session of the General Assembly. (Item 96(L) of House Bill 30, the Appropriations Act for the 2010-12 Biennium (Acts of Assembly 2010, Chapter 874)).

The sales tax rate for Loudoun County, Ashburn and the state of Virginia is 5.3%.

For calculating total savings

Say you're contracting for 1 MW of power. It's an expansion of your data center footprint, so you have to buy new servers, racks, chassis, cables, etc. Back-of-the-envelope, that equipment totals \$20 million. Given a combined state, county and local sales tax rate of 5.3%, at the outset, you're saving \$1.06 million that you would have paid in sales tax.

Tax abatement: 5.3% (combined state, county and local sales tax rate)

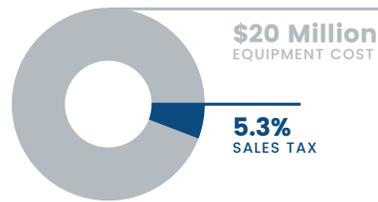
Equipment cost assumption: \$20M / MW for hardware (no refreshes over this term)

Total savings: \$1.06M

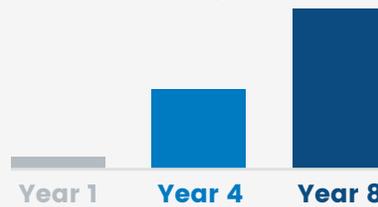
Then assume you stay in the data center for 10 years and you refresh your equipment twice in that period, at years four and eight. Again, just back-of-the envelope (and not counting any changes in the cost of equipment or sales tax increases), you save another \$1.06 million in year four and again in year eight – for a grand total savings of \$3.18 million.

The cost without the sales tax exemption totals \$21.06 million.

NO SALES TAX EXEMPTION
\$21.06 Million



WITH SALES TAX EXEMPTION
\$3.18 Million
Accumulated savings



Other Virginia tax advantages: tax rates that support business growth

The state of Virginia is aggressively pro-business with its personal property tax policy. Virginia state taxes include:

- A 6% corporate income tax rate that has not been increased since 1972
- A 6.3% combined state, county and local sales tax
- The second lowest unemployment insurance tax rate in the nation at 56% lower than the national average
- The third lowest average worker's compensation costs in the nation and has been consistently rated among the lowest-cost states for more than 15 years
- No franchise or net worth tax
- One of the 10 lowest effective tax rates for new capital investments as rated by Ernst & Young and The Council on State Taxation

Also known for fiscal discipline, Virginia and Loudoun County have both earned a AAA bond rating from Moody's, Fitch and Standard & Poors.

Bottom line

Overall, Virginia's tax environment is very competitive with other states tax rates. Add in the states' tax exemption available to Aligned's Ashburn data center clients, and the total savings can be many millions of dollars for a typical deployment. That doesn't count the significant power cost savings associated with our ultra-efficient 1.15 PUE, and the cost deferral associated with our consumption-based pricing model. All because you've colocated with Aligned in Ashburn.

Curious how much you could save?

Ask your account rep to model the savings for your specific case.

Additional resources

- ▶ Download the Ashburn Buyers Guide
- ▶ Take a virtual tour of the Ashburn Data Center
- ▶ Schedule an in-person data center tour

About Aligned

Aligned is an infrastructure technology company that offers adaptable colocation and build-to-scale solutions to cloud, enterprise, and managed service providers. Our intelligent infrastructure allows densification and vertical growth within the same footprint, enabling customers to scale up without disruption, all while maintaining industry-leading Power Usage Effectiveness (PUE). By reducing the energy, water and space needed to operate, our data center solutions, combined with our patented cooling technology, offer businesses a competitive advantage by improving sustainability, reliability and their bottom line. For more information, visit www.aligneddc.com and connect with us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

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