

Arizona tax advantages can mean millions in savings for Phoenix data center clients

Aligned customers can leverage a number of tax incentives to generate significant savings – millions of dollars in many cases. It's yet another reason why Phoenix is a top data center market, and Aligned is a provider of choice.

Brief: Arizona Tax Advantages

- Overall, Arizona is a business-friendly state with a number of tax incentives available to data center clients.
- For most customers, a significant source of savings is the sales tax exemption. Customers are exempt from sales taxes on purchases of data center equipment if they contract with a qualified data center provider, like Aligned, for at least 500 kW for a term of two years or longer. Because Aligned's Phoenix data center is a "sustainable redevelopment project," we qualify for the exemption for a period of 20 years – as do our clients.
- Arizona is also aggressively pro-business with its personal property tax policy. A hyper-accelerated depreciation policy under the Arizona Competitiveness Package reduces the taxable assessment by 75% in the first year.

Arizona Tax Advantages

Phoenix is a top 10 data center market

There are many reasons why Phoenix is one of the top ten multi-tenant data center markets in the U.S. They include the extremely low threat of a natural disaster. The lower-than-average cost of doing business. The low cost of power. The concentration of network providers.



And the tax advantages.

Our clients get a 20-year sales tax exemption on equipment purchases

In Arizona, qualified data center owners, operators, and clients are exempt from state, county and local sales taxes on purchases of data center equipment.¹

“Unlike many of the data center tax-incentive bills recently enacted by other states, Arizona’s legislation does not focus solely on big-name single tenant data center operators, such as Google, Apple or Amazon. These tax breaks are meant to benefit both megascale single-tenant projects & companies that provide colocation services out of multi-tenant facilities.”

► DATACENTERDYNAMICS

Our Phoenix data center is qualified, so clients that contract with us for at least 500 kW per month for a term of two years or more will get the sales tax exemption – for 20 years. That’s double the amount of time most eligible data centers and their tenants are exempt. We get 20 years because our facility is a sustainable redevelopment project; the 550,000 sq. ft., 180 MW data center had been a Honeywell manufacturing facility, and we’ve renovated it to a certified green standard.

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.

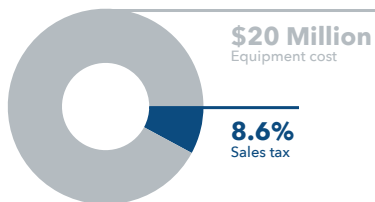
1. Arizona has a transaction privilege tax (TPT), which is functionally equivalent to what’s commonly known as sales tax. For the sake of clarity, we refer to the TPT as sales tax.

The savings can be quite significant - \$5.1 million, in this example

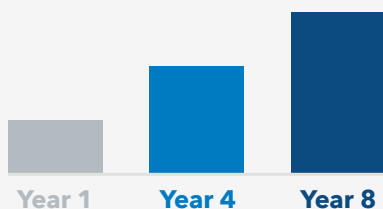
The savings can be quite significant. Say you're contracting for 1 MW of power. It's an expansion of your data center footprint, so you have to buy new servers, racks, chassis, cables, etc. Back-of-the-envelope, that equipment totals \$20 million. Given a combined state, county, and local sales tax rate of 8.6%, at the outset you're saving \$1.7 million that you would have paid in sales tax.

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 \$1.7 million in year four and again in year eight - for a grand total savings of \$5.1 million.

No sales tax exemption
\$21.7 Million
Total equipment cost



With sales tax exemption
\$5.1 Million
Accumulated savings



Other AZ tax advantages: accelerated depreciation on personal property

Arizona is also aggressively pro-business with its personal property tax policy. Property tax liability is calculated based on the real value of the property, an equalization factor, and the tax rate itself. In Arizona, the equalized rates are competitive, but the real advantage is in the hyper-accelerated depreciation policy under the Arizona Competitiveness Package, which reduces the taxable assessment by 75% in the first year.

The additional depreciation can "substantially reduce" tax liability for IT equipment in the data center. Consider the following example from the Arizona Commerce Authority:

- Consider a piece of qualified equipment with a 10-year life purchased in 2013 for \$1,000,000. Without additional depreciation, the equipment in its first year of use would have a full cash value of \$910,000, an assessed value of \$147,465 after applying the personal property tax exemption, and, assuming a statewide average property tax rate of 11.75%, a resulting estimated tax liability of \$17,327.
- With additional depreciation, the property's full cash value would be reduced by 75%, to \$228,000, its assessed value would be \$17,885 after applying the personal property tax exemption, and its estimated tax liability would be \$2,101. **This translates to a one-year estimated tax savings from additional depreciation of \$15,226, or 75%.** Running the same calculations for a five-year period predicts total property tax savings over five years from additional depreciation of \$36,367, or 56%.

Bottom line

Overall, accelerated depreciation makes Arizona's property tax environment competitive with other states. Add in the sales tax exemption available to Aligned's Phoenix data center clients and the total savings can be many millions of dollars for a typical deployment.

And that's not even counting the significant power cost savings associated with our industry-leading PUE. And the cost deferral associated with our consumption-based pricing model. All because you've collocated with Aligned in Phoenix.

Curious how much you could save?

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

Additional resources

- ▶ Take a virtual tour of the Phoenix Data Center
- ▶ Schedule an in-person data center tour

About Aligned

Aligned Data Centers is a leading technology infrastructure company offering innovative, sustainable, and adaptive Scale Data Centers and Build-to-Scale solutions for global hyperscale and enterprise customers across the Americas. 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 [X](#), [LinkedIn](#) and [Facebook](#).

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