By: Parker S.B. No. 2222

A BILL TO BE ENTITLED

AN ACT

relating to an exemption from ad valorem taxation of the total appraised value of real property used as a data center and the tangible personal property used by the data center to meet the data center's demand for energy.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.38 to read as follows:

Sec. 11.38. DATA CENTER GENERATING ELECTRICITY. (a) In this section:

(1) "Data center" means at least 100,000 square feet of space in a single building or portion of a single building, which space:

(A) is specifically constructed or refurbished and actually used primarily to house servers and related equipment and support staff for the processing, storage, and distribution of data;

(B) is used for the processing, storage, and distribution of data;

(C) is not used primarily by a telecommunications provider to place tangible personal property that is used to deliver telecommunications services; and

(D) has an uninterruptible power source, generator backup power, a sophisticated fire suppression and

prevention system, and enhanced physical security that includes restricted access, video surveillance, and electronic systems.

(2) "Qualified data center" means a data center that:

(A) uses the data center's uninterruptible power source and generator backup power to meet all of the data center's demands for energy; and

(B) has entered into a contract to provide energy or ancillary services to the ERCOT power grid or another power grid.

(3) "Qualified property" means:

(A) a single building or portion of a single building used as a qualified data center;

(B) the parcel of land on which the qualified data center is located; and

(C) tangible personal property located at the qualified data center that is used to meet the data center's demands for energy as described by Subdivision (2)(A).

(b) A person is entitled to an exemption from taxation of the total appraised value of qualified property the person owns.

SECTION 2. The changes in law made by this Act apply only to an ad valorem tax year that begins on or after the effective date of this Act.

SECTION 3. This Act takes effect January 1, 2026, but only if the constitutional amendment proposed by the 89th Legislature, Regular Session, 2025, to authorize the legislature to exempt from ad valorem taxation the total appraised value of real property used as a data center and the tangible personal property used by the data center to meet the data center's demand for energy is approved by

the voters. If that amendment is not approved by the voters, this Act has no effect.