Meeting the Unique Property Tax Challenges of the Data Center Industry

Ryan’s Property Tax practice is the largest in North America, with more than 700 professionals across 39 locations. We provide North American coverage, the benefit of our local market knowledge, and a comprehensive range of services to help effectively manage property tax requirements with the goal of avoiding overpayment.

We have extensive experience in the data center industry with a team of experts that includes licensed attorneys, appraisers, and CMIs. Our software maintains all your information in a single database, allowing us to track and report on your property tax deadlines, assessed values, tax amounts, and appeal activities. You will work with a single point of contact on our team who will maintain regular communication with you.

Trends Impacting the Data Center Industry

**Position in economic / industry cycle**

- There is a continued strong demand for data centers driven by changes in computing models, storage models, globalization, and virtualization.

- Changing computing models facilitate global and virtual access to data, such as software as a service (SaaS) and open architecture. These new models require more data center storage capacity.

- There is a shift in storage models as data centers begin to store public, private, and hybrid clouds for clients.

- State and local jurisdictions will continue to offer incentives in order to attract the new data centers, while government carbon reduction incentives to promote green energy will impact the structures and improvements of data centers.

- The demand for 100% uptime and greater reliability has driven up the expense of improving the infrastructure of current data centers.

- For corporate customers, data center consolidation is an attractive option, as it largely reduces capital and operational expenses for one or more of their facilities.

**Ryan property tax solutions:**

- Commercial Real Estate
- Complex Personal Property
- Property Tax Compliance
Key Components Affecting Tax Valuations

- Real property versus personal property classifications—recognizing the difference between permanent structures vs. removable fixtures
- Underdeveloped security structure (software) in maintaining confidential corporate data
- Corporate-owned facilities vs. investor-owned data centers
- Shifts in new and more efficient technology of servers, which may drive functional obsolescence sooner in existing IT equipment
- Consolidation of IT activity, resulting in a decrease in application performance and bandwidth constraints
- Effective market rents for powered base buildings
- Proper adjustments to account for many differences/requirements for data centers

Client Success Stories

Proactively educating the assessor’s office

Client issue: The client was faced with increased property tax assessments in a large jurisdiction due to the many sales and redevelopment projects occurring in the jurisdiction. Costs in the jurisdiction were as much as ten times the current assessments.

What we found: The assessor was not comfortable with the jurisdiction’s approach to valuation and was having a difficult time locating all the data centers. The client’s goal was to focus on the next tax year and establish a methodology for assessing data centers.

Approach and solution: Ryan and the client decided it was best to take a proactive approach and educate the assessor on the industry so that the property could be assessed for value using the most “tax-friendly” methodology. After several meetings with the staff at the assessor’s office and analyzing different valuation models, it became apparent that a “Property Tax Cost Segregation” model was the best choice for our client.

Results: The assessor adopted our model, and the resulting tax valuations are significantly below initial development costs and/or sales prices.

Pursuing a new assessment approach

Client issue: After the client built a “state of the art” data center, they were faced with a significant property tax assessment in a large jurisdiction.

What we found: The assessing jurisdiction was double-assessing a portion of the new construction, as well as including non-assessable items, which resulted in an over-assessment of the property.

Approach and solution: The goal was to establish an assessment methodology for current and future years. In this instance, Ryan diligently reviewed the county assessment workpapers and analyzed and examined the new construction costs. After reviewing the property in detail and meeting with the County Assessor’s personnel, Ryan was able to pursue a favorable assessment approach.

Results: The assessor accepted our methodology, which resulted in significant tax savings that also affected future tax years.

Ryan property tax consulting services:

- Annual Assessment Review
- Audit Support
- Business Personal Property
- Management Reports
- Pre-Acquisition Reports
- Property Tax Budgets
- Real and Personal Property
- Tax Appeals Services
- Tax Return Preparation

For additional information
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