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This Week in State Tax (TWIST)



November 2, 2026

Iowa: Department issues ruling that taxpayer's bitcoin mining facility does not qualify for sales tax exemption

On September 23, 2026, the Iowa Department of Revenue issued a declaratory order discussing the eligibility of a bitcoin mining operation for Iowa's sales and use tax exemption for data center businesses. The petitioner owns and operates more than 4,300 specialized servers performing cryptographic calculations at a facility in Iowa. A related entity under common ownership owns the underlying land and provides energy, hosting, and supporting infrastructure. The petitioner reported investing about $40 million in the facility to date, including about $29.6 million in servers and data processing equipment. The petitioner also expects future qualifying investment to exceed $200 million.

Iowa law provides a sales tax exemption for computers and equipment necessary for the maintenance and operation of a data center business. To qualify, the purchaser must meet five requirements, to wit: (1) be a data center business; (2) have an Iowa physical location of at least 5,000 square feet; (3) invest at least $200 million at that location within six years; (4) comply with the state's sustainable design and construction standards; and (5) register with the Department as a data center business. A data center is defined as a building constructed or rehabilitated to house networked server computers in one physical location to centralize the storage, management, and dissemination of data and information pertaining to a particular business, taxonomy, or body of knowledge. Here, the Department found that the term "particular business" is sufficiently broad to include a bitcoin mining business, because the petitioner stores, manages, and disseminates data related to that business. The Department concluded the operation qualifies as a data center business.

The petitioner did not, however, meet the remaining statutory requirements needed to qualify for exemption on its equipment purchases. Regarding the physical location in Iowa requirement, the Department pointed to a prior ruling indicating that a tenant leasing a property could meet the requirement. Here, however, the petitioner did *not* purport to lease the facility from its related entity. The Department concluded that common ownership alone does not pass ownership or possession to the related entity. On the investment requirement, the petitioner's $40 million expenditure fell well short of the $200 million requirement. The Department added that the six-year window within which to make the investment runs from when the claimant itself starts site preparation or begins its initial lease term. Here, the petitioner cannot meet this requirement because it was not involved in the initial site preparation and does not lease the property from the owner. The petitioner also provided no facts showing that it met the sustainability standards, and it had not registered with the Department as a data center business. The Department concluded that although the petitioner does not currently satisfy the requirements for the data center exemption, it would be possible for the petitioner to rectify these facts and possibly become eligible for the exemption.

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The Department also rejected the petitioner's alternative claim under the sales and use tax exemption for machinery and equipment used directly and primarily in processing. "Processing" requires materials to be transformed into tangible personal property, and nothing showed that the petitioner produces tangible personal property.

For more information on the Iowa Department of Revenue's declaratory order, please contact Crystal Hildebrand.

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