



# State Responses to Data Center Growth

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# State Incentives for Data Centers

37 states offer dedicated data center incentives

- **In all 37 states, that includes at least a sales and use tax exemption**
- **11 states offer sales tax exemptions for electricity used by data centers**
  - Minnesota partially rolled back its electricity exemption in 2025
- **5 states offer partial property tax abatements**
- **States often attach conditions and requirements to those incentives**
  - In 32 states, the data center must meet some minimum investment threshold (from \$5-\$500 million)
  - In 17 states, the data center must create some number of jobs (from 5-50 full time positions)



# Why States Offer Incentives

And emerging policy considerations

## Possible Data Center Benefits

**Employment:** Data centers create some jobs—up to 1,500 during construction, and approx. 10-20 permanent positions.

**Capital:** Data centers are very expensive to build; some of those benefits flow to local economies (e.g., construction firms).

**Property tax:** Less discussed, but data centers can create substantial local property tax revenue.

## Emerging Considerations

**Energy use:** Ongoing data center operations have substantial energy demands.

**Incentive cost:** Data centers use available incentives, and in some states the cost approaches \$1 billion annually.



# 2026 Data Center Tax Incentive Legislation

As of February 9 – the list changes almost daily

## Considering Brand-New Incentives

**South Dakota HB 1005:** Creates new sales and use tax exemption, valid for 50 years, no cost shifting for utilities, local utility must certify water availability – failed in committee, 2/4.

**Colorado HB 26-1030:** Creates 100% sales tax exemption for data centers for 20 years, \$250 million minimum investment, create jobs (no number, pay 110% county average) and pay prevailing wage, and some green energy requirements.

**Rhode Island SB 2346:** Creates new property and sales tax exemption for data centers that invest at least \$200 million.

**New Hampshire HB 1739:** Would create a data campus development credit to be used against the business profit tax; also allows municipalities to offer PILOTs to data centers.

## Considering Full Incentive Repeal

**Maryland HB 560:** Repeal sales and use tax exemption.

**Georgia SB 410:** Repeal sales and use tax exemption.

**Arizona HB 2820:** Repeal sales and use tax exemption.

**Arizona HB 2467:** Repeal sales and use tax exemption and require incumbent data centers use green energy.

**Michigan HB 5396:** One of a package of bills that would repeal sales and use tax exemption and roll back municipal property tax abatements.

**Pennsylvania HB 2198:** Repeal sales and use tax exemption.

# New Incentive “Conditions”

States consider attaching requirements to their tax incentives to influence data center policy—concerning labor, taxes, and property rights



## Additional Incentive Conditions

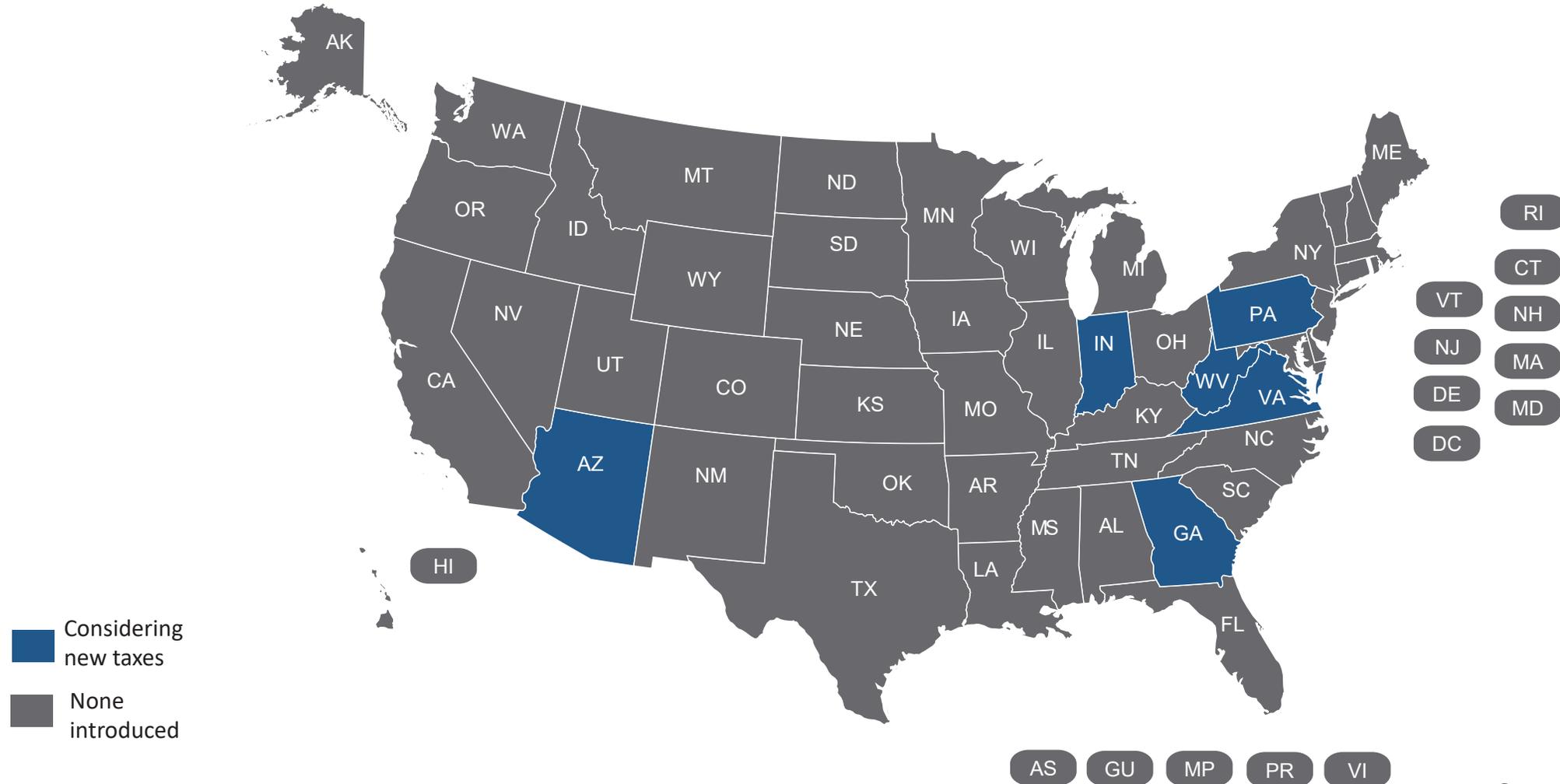
- **New Jersey S 4928:** Requires that data centers pay contractors the Department of Labor prevailing wage during construction to qualify for the tax incentive. Signed by the Governor.
- **Indiana HB 1333:** Requires data centers to make written PILOT agreements and pay 1% of their tax savings to local units of governments, for those starting after June 2026. Passed state house.
- **Wisconsin AB 722:** Data centers must reserve a green certification (e.g., Energy Star or LEED) within three years of construction to maintain incentive eligibility, mirroring Illinois’ requirement.

## Property Rights

- **Illinois HB 4319:** Property rights for those adjacent to data centers; if the businesses or home value has decreased, data centers must compensate the property owner for the lost value directly.
- **Kansas HB 2641:** Compensation to landowners if their property value is diminished or other “harm” from government approval of a data center.

# States Considering New Taxes on Data Center

As revenues flatten, some states consider new measures to raise revenue from data centers



Source: NCSL Research

# Data Center Taxation

States are considering measures to bring revenue from data centers to local communities

## Property Tax

**West Virginia SB 652:** Modify property tax allocation to ensure most of the increment created by data centers is awarded to the data center's house county.

**Pennsylvania HB 2153:** Create data center property tax increments for school districts to expand homestead exemptions.

**Virginia HB 1132:** Municipalities with at least 20 data centers would be required to create special funds to reimburse residents for renewable energy and vehicle taxes using set-aside data center property tax revenue.

## Sales and Use Tax

**Arizona HB 2702:** Redirect data center sales tax revenue to fund solar projects in the state.

**Indiana HB 1333:** Requires data centers to pay 1% of the amount of taxes forgone each year to their host municipalities, a type of PILOT. (Passed State House)

"LSA conducted a survey of all 92 counties and found that no counties have approved the data center exemption as of May 2024." (OFMA, 10/24)

## Emerging Strategies

**Virginia HB 641:** Levy a \$3 per square foot tax (over 25,000 sq ft) on data centers to fund conservation and state parks.

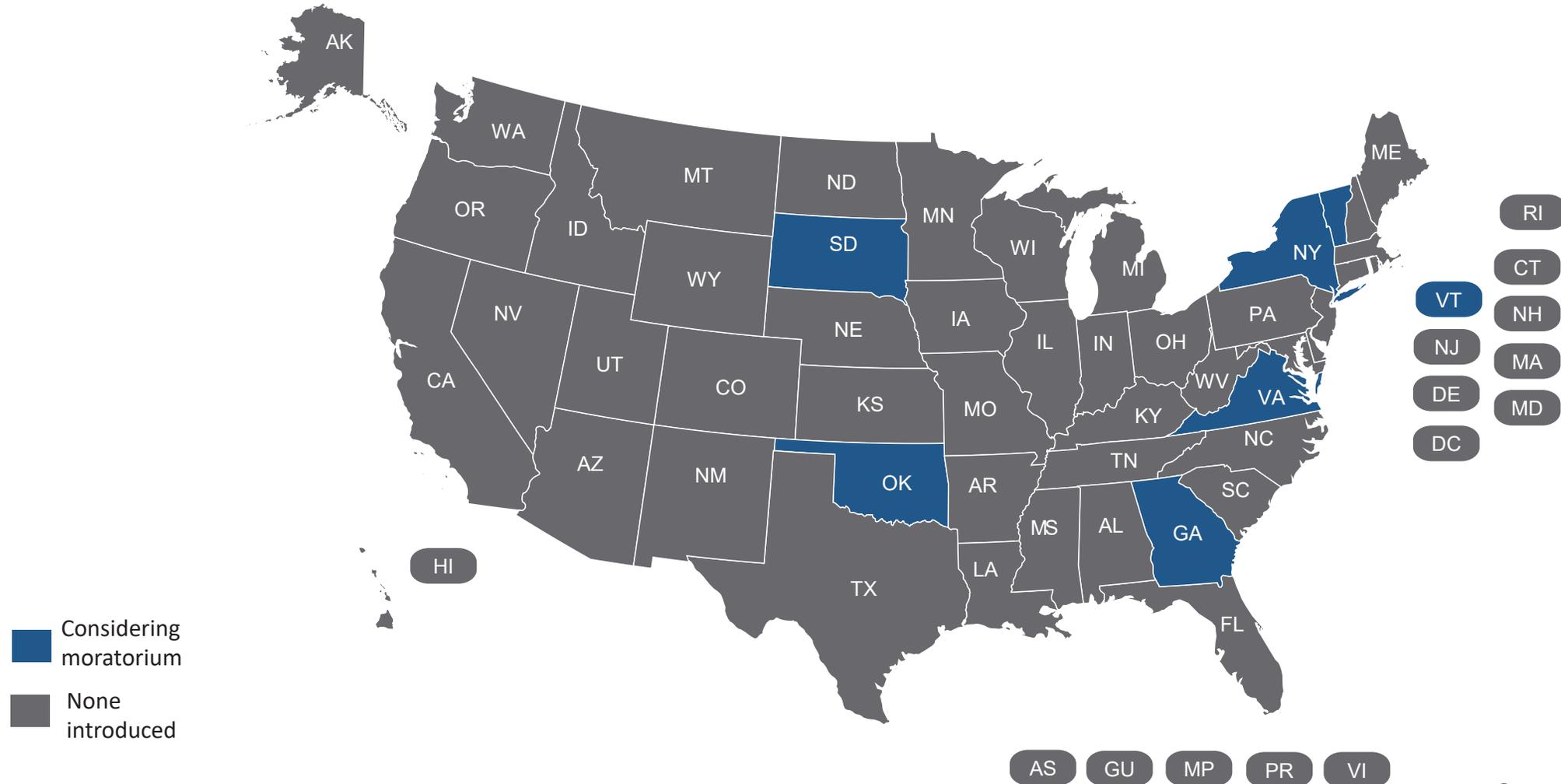


# Data Center Moratoriums and Studies

2026 legislation mirroring S.205

# States Considering Data Center Moratoriums

Legislation introduced in six states would temporarily prohibit all new data centers



Source: NCSL Research

# Introduced Data Center Moratoriums

Six states consider moratoriums for data centers, driven largely by energy concerns and a desire for further studies.



**Oklahoma SB 1488:** 3-year moratorium on new data centers, pending further study.

**Vermont S.205:** Moratorium on AI data centers until 2030, orders impact study.

**Georgia HB 1012:** 2-year moratorium on all new data centers in the state.

**South Dakota SB 232:** 2-year moratorium on new hyperscale data centers (also uses energy threshold).

**Virginia HB 1515:** Moratorium on new data centers until 2028, or until all existing interconnection requests are complete.

**New York S 9144:** Moratorium on new data centers until extensive study is completed.



# Pending Legislation that Would Mandate Studies

Three of the six states considering studies would also impose moratoriums



## States Considering Study Requirements:

**Massachusetts H. 83:** Creates a special commission to study data centers with an emphasis on their energy impacts.

**Ohio HB 646:** Creates a new data center commission to study their effects in the state.

**Nebraska LB 117:** Orders a study of large utility loads, including data centers.

## Study with Moratorium:

**Vermont S.205:** PUC must study energy load, water consumption, environmental and economic impacts.

**Oklahoma SB 1488:** Orders study of data center impacts on infrastructure and resources, including utility rates and property values.

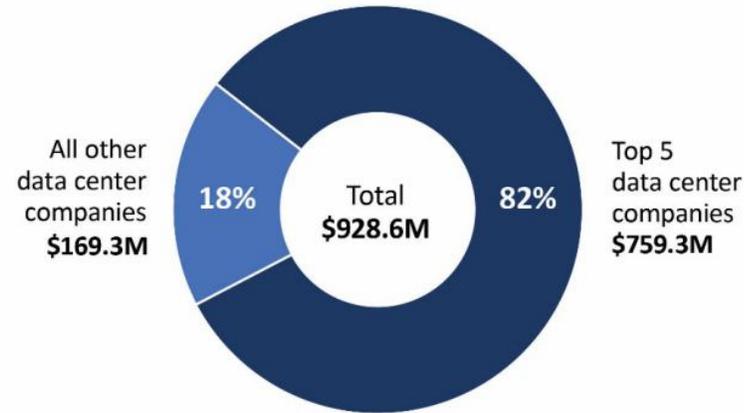
**New York S. 9144:** Extensive study of energy, water, and “neighborhood” impacts.

## Recently Completed Studies

Some states have already examined their data centers

FIGURE 2-6

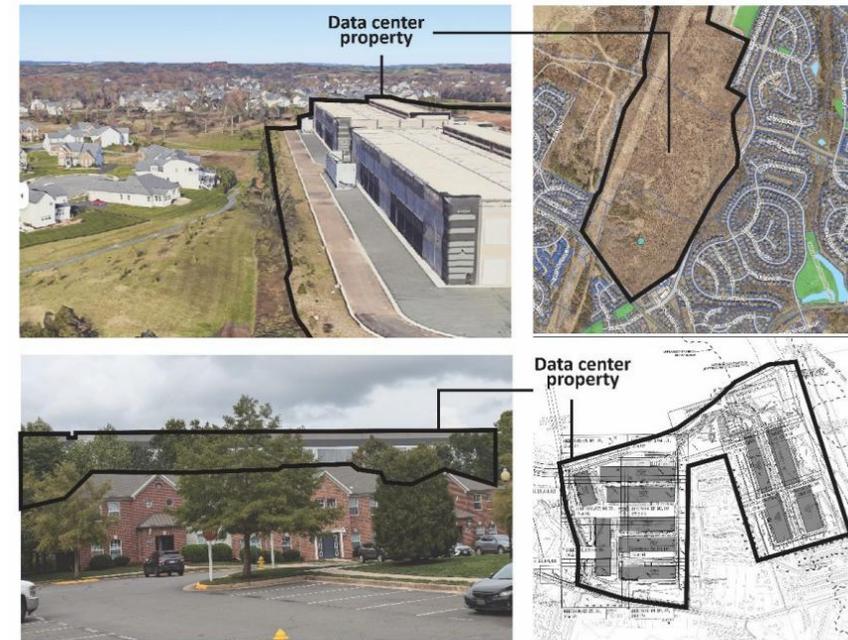
Most of the tax savings from data center exemption go to only a few data center companies (FY23)



SOURCE: JLARC staff analysis of data center exemption information reported to VEDP.  
NOTE: For colocation data centers, the tax savings is attributed to the data center owner rather than the tenant, because the data center owner is the “holder” of the MOU and the reporting entity.

FIGURE 6-3

Some recently built or approved data centers are close to residential areas



SOURCE: JLARC site visits, Google Earth, and locality websites.

- Virginia’s Joint Legislative Audit and Review Commission completed a comprehensive report on data centers in Virginia (December 2024) following a mandate from the Commonwealth’s legislature.
- Georgia’s Auditor conducted an economic and fiscal study of the state’s incentive (December 2025).
- Studies in Maryland and Washington are ongoing—Washington’s is expected by mid-2026.

TABLE 2-2

Data center exemption has moderate benefits compared with other incentives

	Annual average	
	Data center exemption	Average Virginia incentive
<b>Economic impact per \$1 million spent on the exemption</b>		
Jobs added	84 jobs	58 jobs
Income added	\$6 M	\$5 M
Virginia GDP increase	\$10 M	\$9 M
<b>Impact on state revenue per \$1 spent on the exemption</b>		
Return in revenue per \$1 spent	48¢	41¢

SOURCE: Economic Development Incentives 2024, JLARC 2024.

All images courtesy of VA JLARC’s “Data Centers in Virginia”



# Thank you!

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# Data Centers: State Legislative Trends

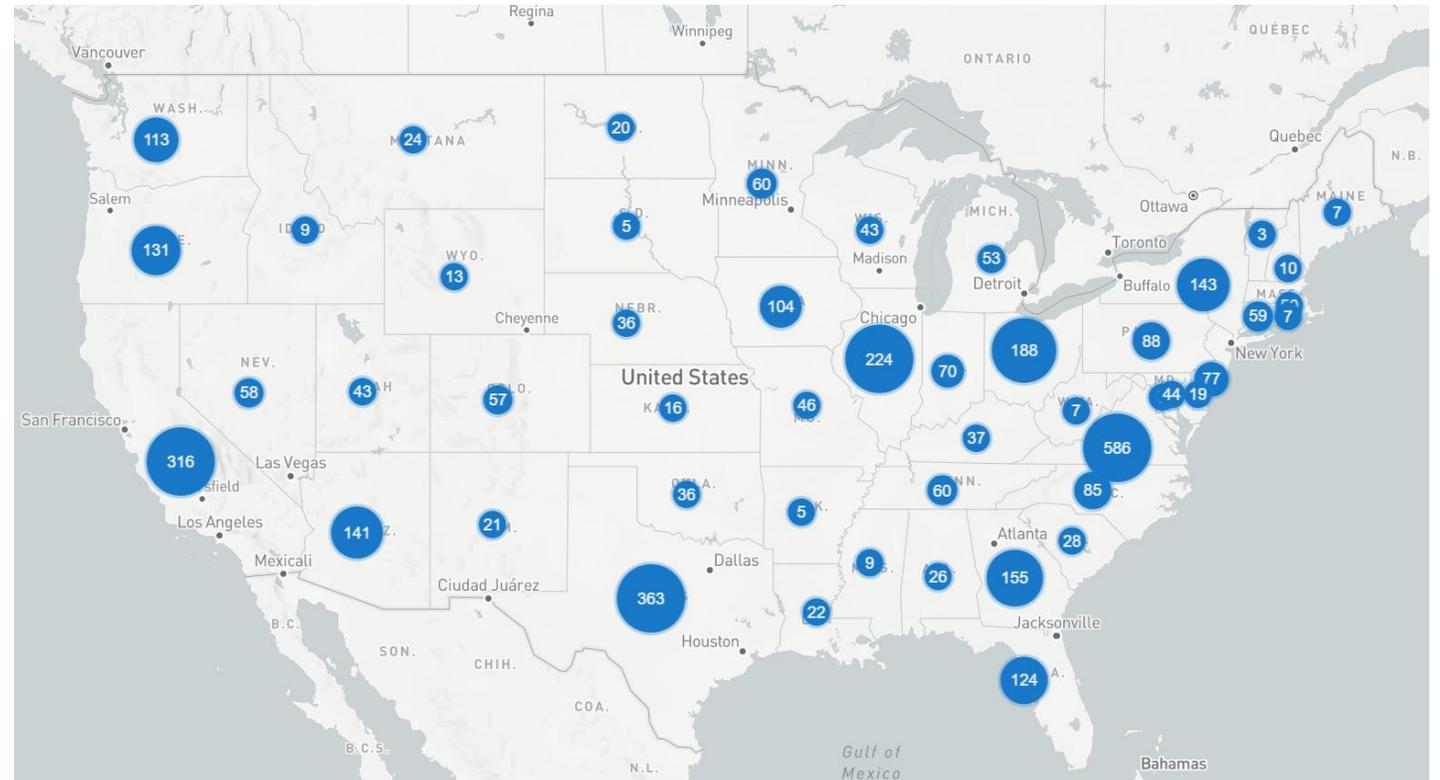
*Alex McWard, Senior Policy Specialist, NCSL*



# Data Centers and Energy Demand

## AI drives need for new energy as states mediate costs and reliability

- Data centers could make up over 9% of electricity consumption by 2030
- In 2025, 23 states considered more than 70 pieces of legislation addressing the energy consumption of data centers
- State strategies to address consumption include incentives for energy efficient technologies, energy reporting requirements, impact studies, and utility rate regulation
- Data centers remain a key issue for states in 2026



Source: [Data Center Map](#)

# Tariffs and Contracts for Data Centers



- **The expansion of data centers requires significant investments in the grid to support the increase in energy demand.**
- **Many states are considering specific tariffs or rate schedules for large loads like data centers to prevent costs associated with their interconnection from shifting to unrelated customers.**
- **2025 Key Legislation**
  - California SB 57
  - Virginia HB 2084
  - Maryland SB 937
  - Oregon HB 3456
  - Minnesota HF 16
  - Utah SB 132

# Demand Side Management



- **States have considered various measures to manage the energy consumption of data centers.**
- **Texas SB 6** – set new interconnection rules for large loads and requires large loads to participate in a mandatory demand side management program.
- **West Virginia HB 2014** – established the High Impact Data Center Program and the Microgrid Development Program.
- **New Jersey SB 4143** – would have required all electricity for proposed data centers to be derived from renewable energy sources.
- **Colorado HB 1030** – would allow a 100% state sales and use tax exemption on qualified purchases for data center operators that commit to obtaining certification under one of several energy efficiency standards.
- **Virginia SB 465** – would require data centers to achieve certain energy efficiency thresholds to maintain tax exemptions.

# Energy Usage Reporting



- **Starting in 2025, states began to introduce legislation requiring data center operators to submit regular reports on their energy and water consumption.**
- **Report requirements may include energy and water consumption, power usage effectiveness, energy sources, and energy efficiency and water conservation measures implemented**
- **Reporting requirements may help states forecast future load trends from data centers or identify potential net peak demands.**
- **Legislative Examples**
  - California AB 222 (Introduced)
  - Illinois SB 2181 (Introduced)
  - New Jersey SB 4293 (Vetoed)
  - Nebraska LB 1111 (Introduced)



# Thank you for joining today!

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