



Data Centers: Three Legislative Trends

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Agenda: Three Legislative Action Areas

Fiscal Policy

States are increasingly reconsidering tax incentives.

Adding guardrails and pursuing “repeal-lite.”

Natural Resources

Energy use top-of-mind, managed with tariffs and rate schedules.

Water use often explored with new transparency requirements.

Moratoriums

16 states exploring temporary pauses, often paired with studies.

Only adopted by executive in N.Y., so far.



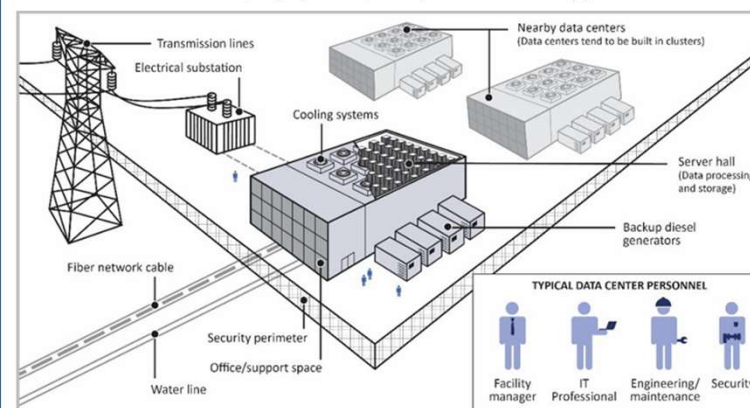
What Are Data Centers?

Where are they going?

Warehouses filled with lots of computers



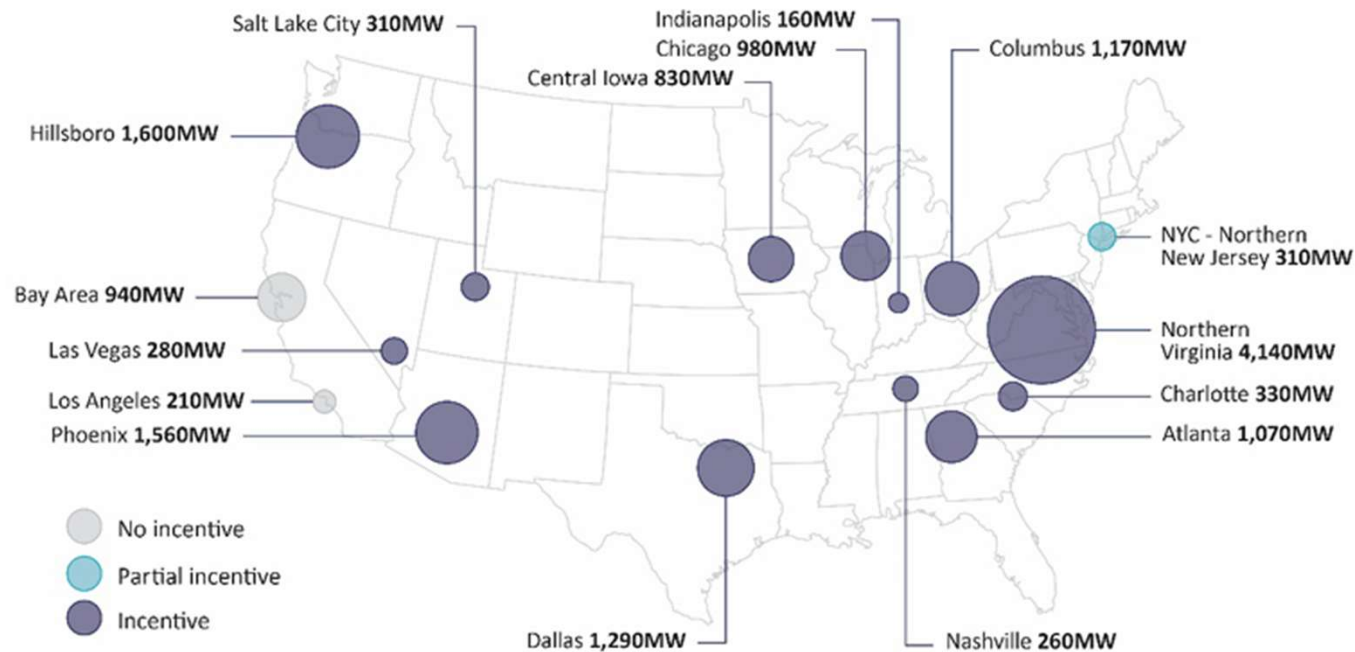
FIGURE 1-1
Common infrastructure, equipment, and personnel at a typical data center



SOURCE: JLARC staff.
NOTE: Illustrative example. Data centers may have different equipment, e.g., based on their cooling system.

Data centers cluster: Virginia, Atlanta, Dallas are top markets

All primary data center markets in the U.S. have exemptions, except for California and northern New Jersey markets, which are relatively small



SOURCE: JLARC staff analysis of Cushman & Wakefield 2024 Global Data Center Market Comparison.

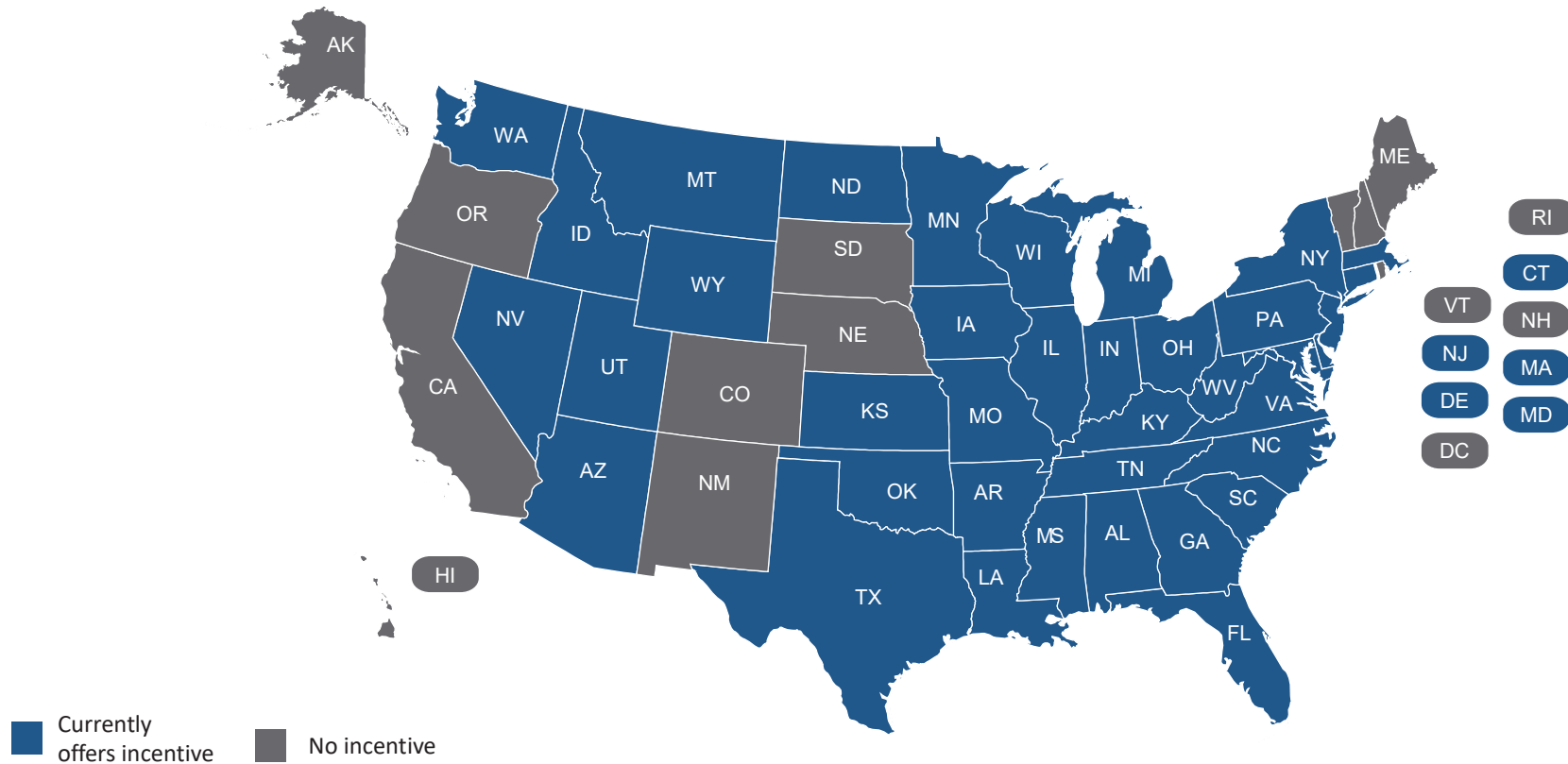


States Competing to Attract Data Centers

Tax incentives for data centers

38 States Offer Data Center Tax Incentives

Massachusetts and Kansas both adopted new incentives in 2025



Source: NCSL Research

Current State of State Tax Incentives for Data Centers

38 states offer dedicated data center incentives

- **In all 38 states, that includes at least a sales and use tax exemption**
 - Generally, for key equipment like computers
- **13 states offer sales tax exemptions for electricity used by data centers**
 - North Carolina repealed its electricity exemption in 2026
- **11 states offer partial property tax abatements**
- **States often attach conditions and requirements to those incentives**



Connecticut's Data Center Incentive

Sales Tax Incentive

Yes--this is the most universal incentive.

38 states, including Connecticut, exempt data center equipment from sales tax.

Connecticut includes costs relating to construction.

Covers Electricity?

Yes: "...all electricity used by a qualified data center."

13 states offer some kind of reduced/eliminated tax on electricity.

Property Tax Abatement

Yes, data centers receive exemptions on certain real equipment used.

11 states partially abate property taxes.

Connecticut requires PILOTs to municipalities.

Data Center Incentive Conditions

States attach employment, capital, and energy requirements to their incentives

- In 31 states, the data center must meet some minimum investment threshold, from \$2 in Maryland to \$450 million in Kentucky (\$50 or \$200 million in CT)
- In 23 states, the data center must create some number of jobs, from 5 to 50 full-time positions (Not stated in CT)
- 13 states set sunset dates for their incentives (20/30-year time limit in CT)

New incentive requirements are emerging

- Prevailing wage requirements in construction: New Jersey, Pennsylvania
- Prohibiting NDAs for new agreements: Florida, New Jersey; 9 others considering
- Community Benefits: Connecticut already requires PILOTs, which is unique



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).

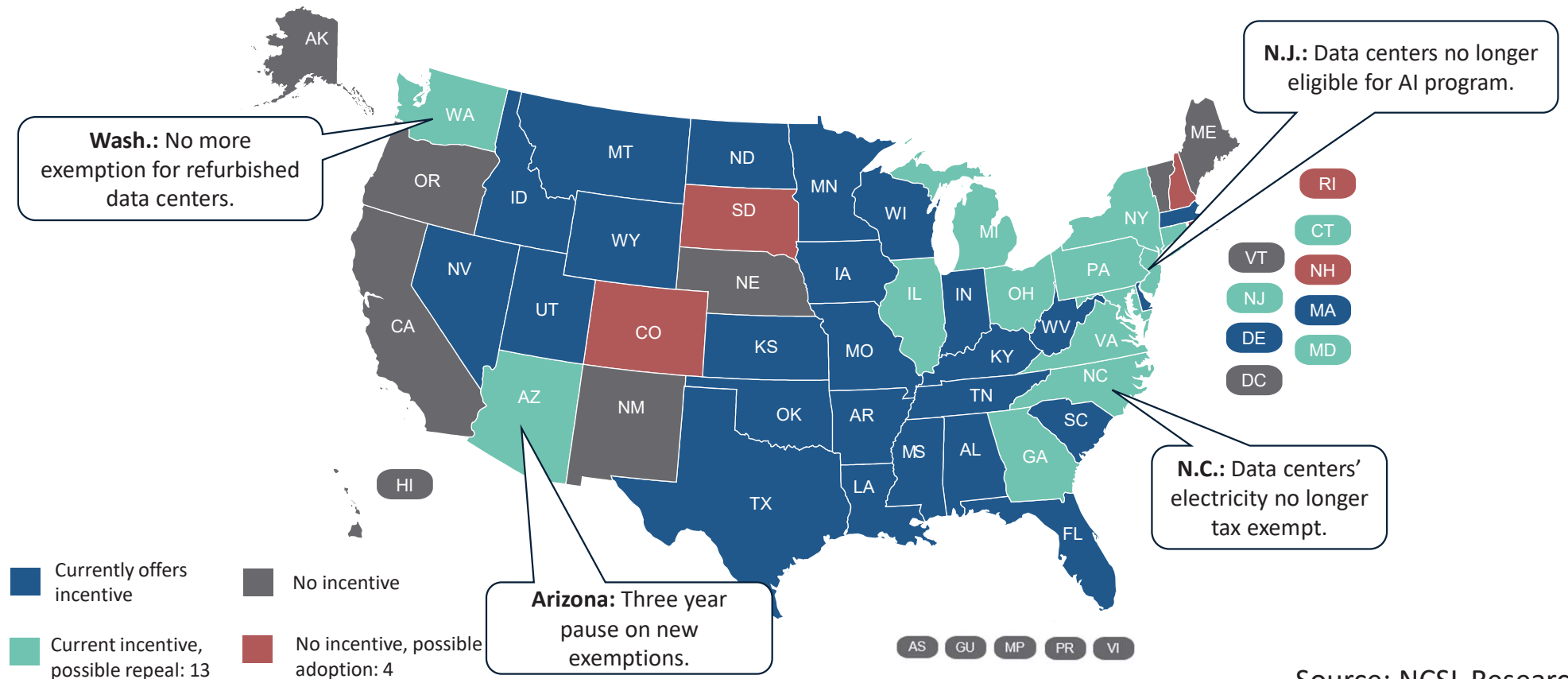


Property Taxes

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

State Incentives for Data Centers: 2026 Actions

States currently offering dedicated data center incentives, and introduced legislative changes



Source: NCSL Research

States Considering Substantial Incentive Repeals



Arizona HB 4168: Three-year pause on new exemptions. ✓



Michigan HB 5396: Repeals sales tax exemptions and property tax abatements, bill package.



Pennsylvania HB 2650: No new tax exemptions issued.



Connecticut SB 245: Eliminates new data center tax exemptions.



New Jersey AB 5165: Data centers no longer eligible for \$500 million AI tax credits. ✓



Georgia SB 410: Repeal sales tax exemption for new data centers.



New York SB 6394: No incentives for certain data centers that utilize fossil fuels.



Virginia: Many competing bills, budget ultimately retained incentive, added special tax. ✓



Illinois Governor: Executive action to suspend new incentives.



North Carolina SB 257: Repeals sales tax exemption for consumed electricity. ✓



Washington SB 6231: No tax incentives for refurbished data centers. ✓



Maryland HB 560: Repeals data center tax incentive.



Ohio HB 646: No more than 50% of the data center's real value may be tax exempt.

✓ = enacted legislation

States Considered Brand-New Incentives (with conditions)



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.



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



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



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.

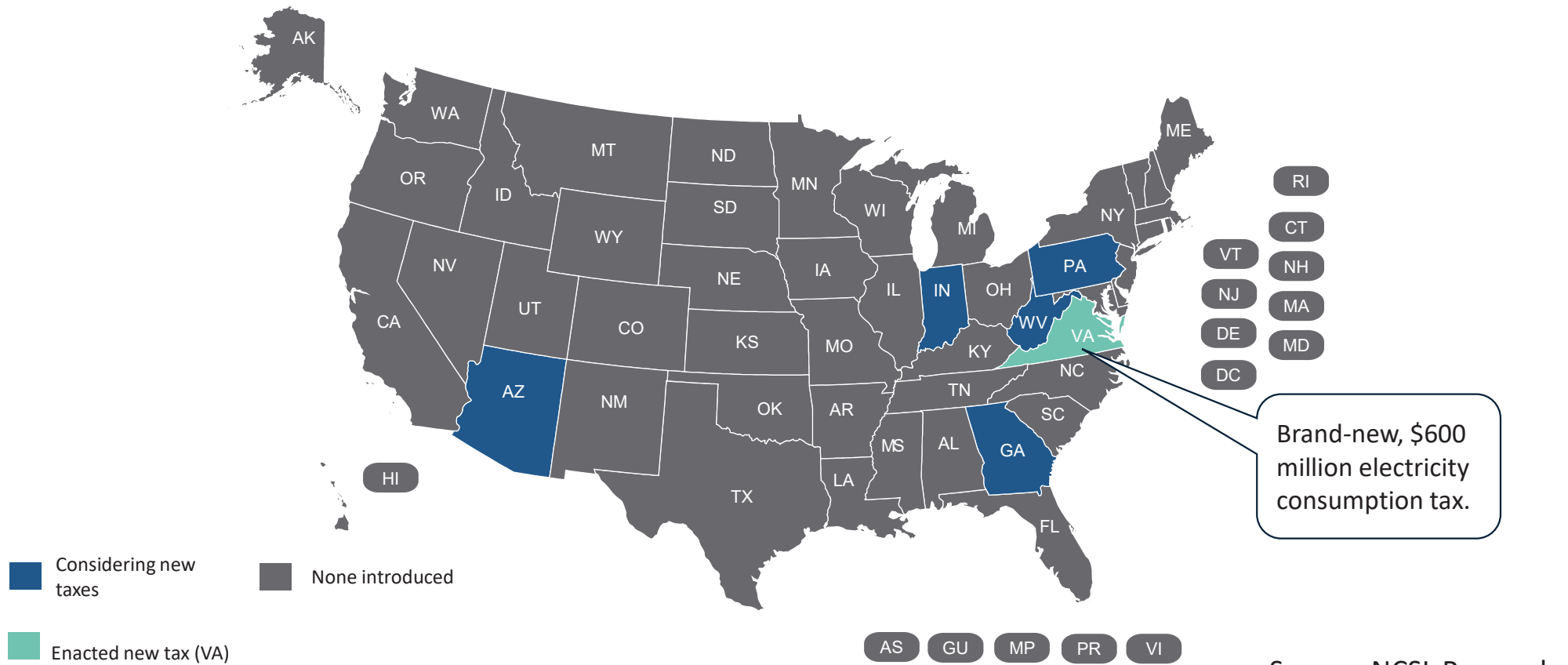


New Revenue Opportunities

For states and localities

States Considering New Taxes on Data Centers

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.

Pennsylvania HB 2532: Repeal tax exemption and designate new tax revenue to a motor license fund [highway] account.

Minnesota (2025): Levies a new, special assessment on data centers that consume significant electricity.

Virginia Budget: 1.1 cent / KWh tax on data center energy usage, capped at \$600 million.



What happened in Virginia this year?

- Data center incentive caused a months-long budget impasse
- Compromise: Retained tax exemption, added new tax
- \$0.011 per kilowatt-hour tax levied on data center energy usage
- Up to \$600 million total, excess refunded at end of year
- First-in-the-nation (and world)

Community Benefits Agreements for Data Center Development

- So far, no states have legislatively mandated CBAs for data centers.
- Could be an “all of the above” agreement: water, noise, revenue, etc.
- Connecticut has a unique provision legislatively: requires payments-in-lieu-of-tax for host municipalities.

Recent Action on CBA – all executive, so far



Massachusetts EO 658: Data centers over 25 MW must sign a CBA, provisions for water and power.



Pennsylvania EO 2026-05: No permits for data centers over 25 MW unless they execute a CBA; no NDAs.

Legislative Requirements for CBAs



Connecticut Sec. 32-286: Negotiated host municipality fee agreement required for construction, including fixed PILOTs for host municipalities.

What do 218 legislators think of data centers?

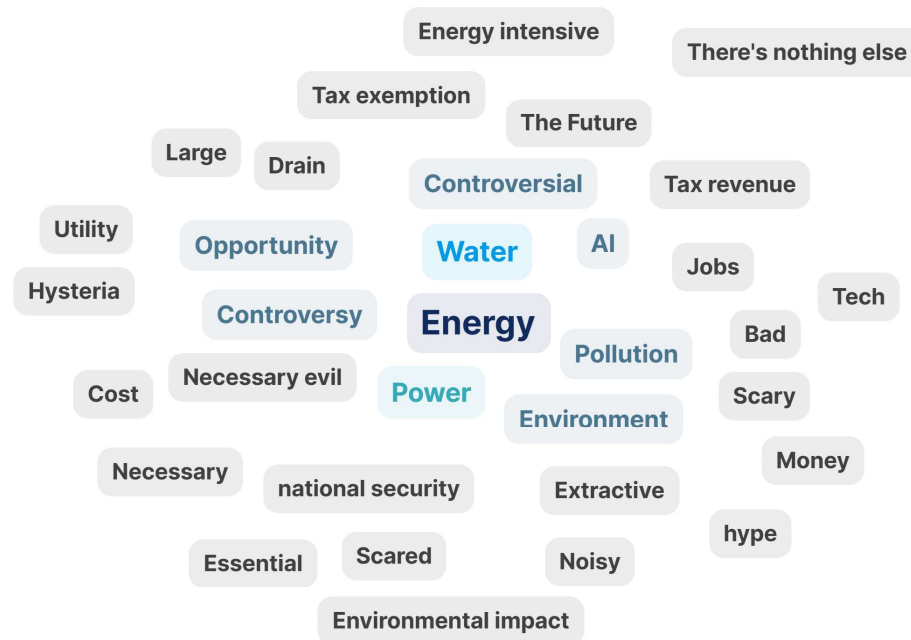


What word comes to mind when you think of data centers?

Wordcloud Poll

249 responses

218 participants



slido

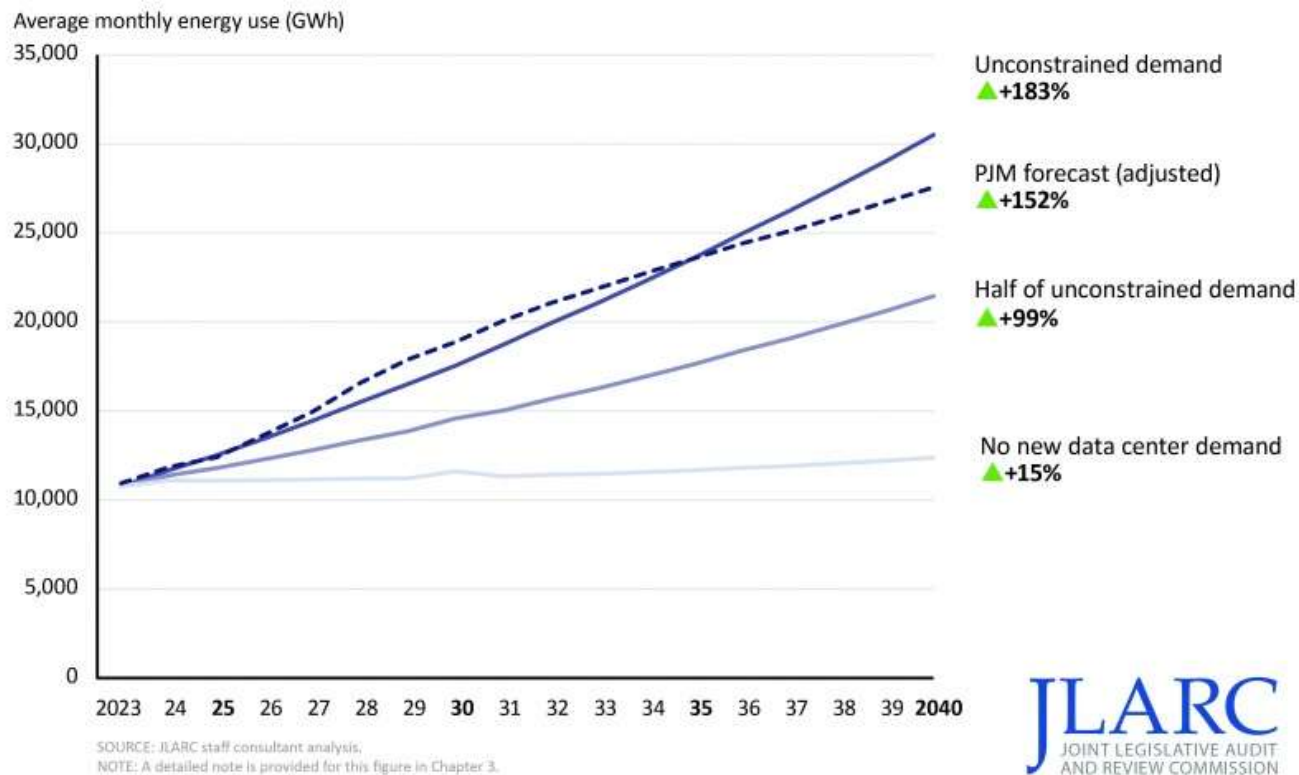


Natural Resource Management for Data Centers

Power and water lead the pack

Data Centers and Power Demand

Data centers, especially “hyperscale” AI data centers, have very significant power demands



Data Centers and Water

3 things to know about how much water they use

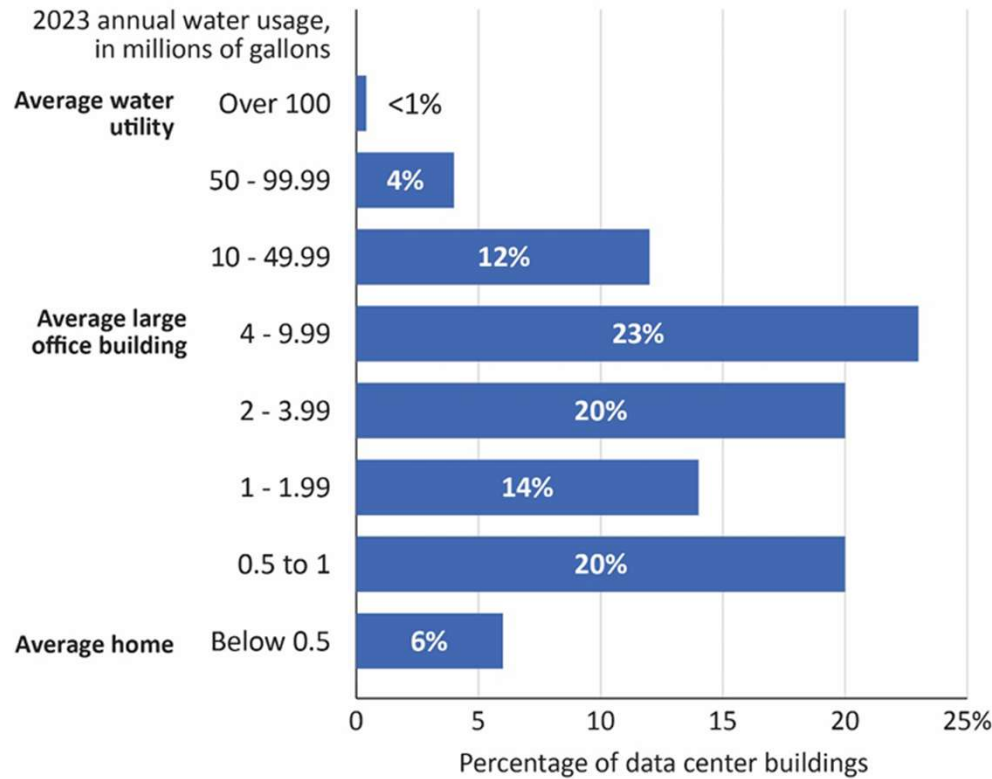
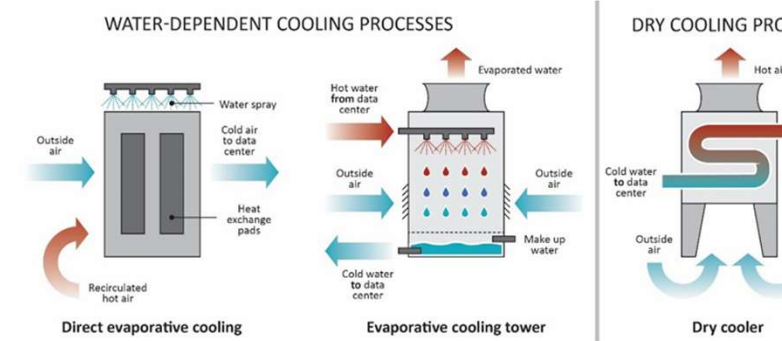


FIGURE 5-2

Evaporative cooling processes require more water than dry cooling processes



SOURCE: JLARC synthesis of interviews, government reports, and research literature.

NOTE: Depicted examples are generalizations and do not include all data center cooling processes and equipment.

- 1: Depends heavily on the type of data centers
- 2: Water use on par with office buildings, golf courses
- 3: Much more salient issue in the West



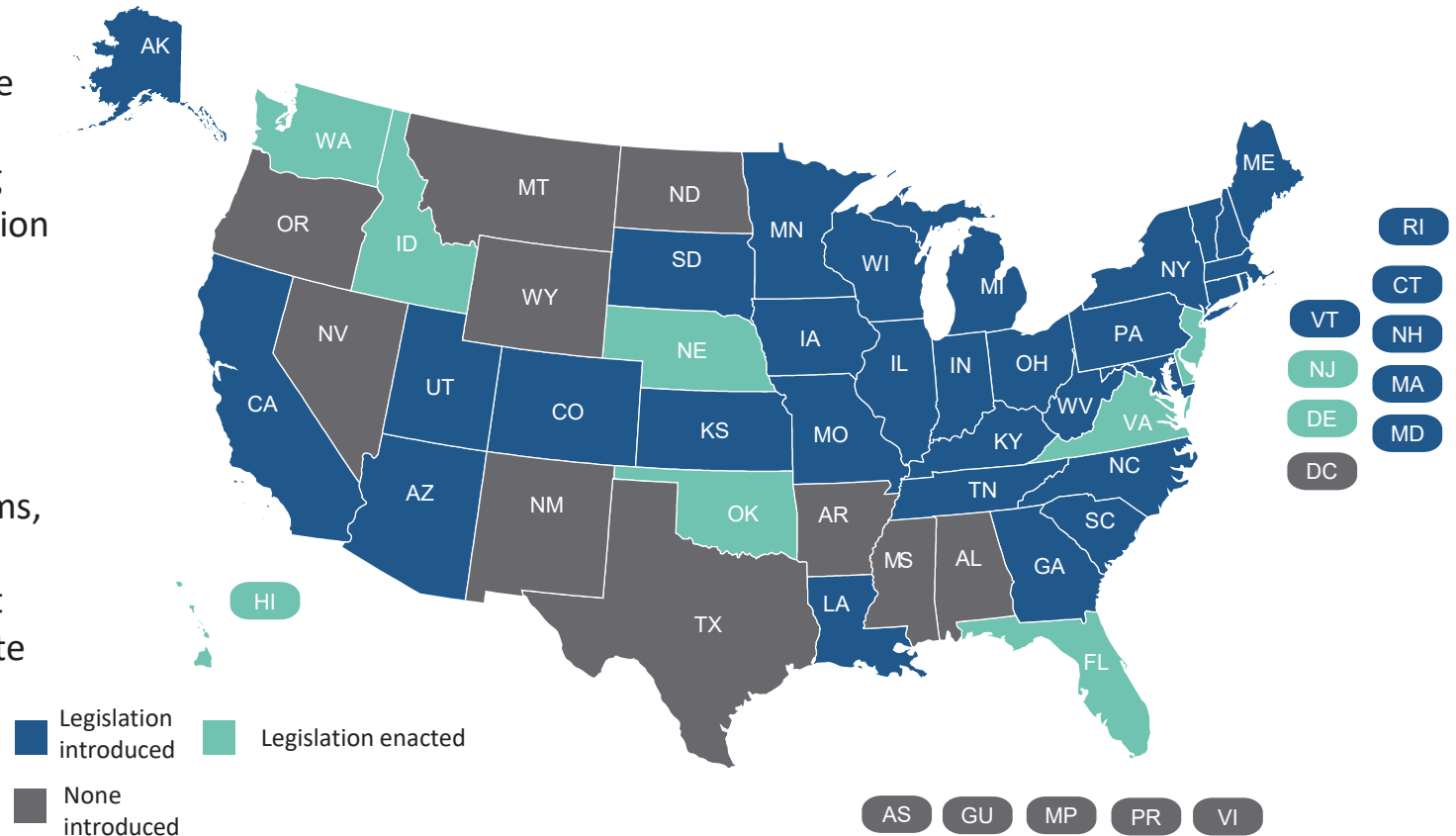
How States Manage These Challenges

Legislation surrounding water,
power, and even bans

States are Taking Action

State Legislation Concerning the Energy Usage of Data Centers in 2026

- So far in 2026, states have considered more than 150 pieces of legislation addressing the energy consumption of data centers
- State strategies to address consumption include demand management programs, energy reporting requirements, impact studies, and utility rate regulation



Tariffs and Contracts for Data Centers



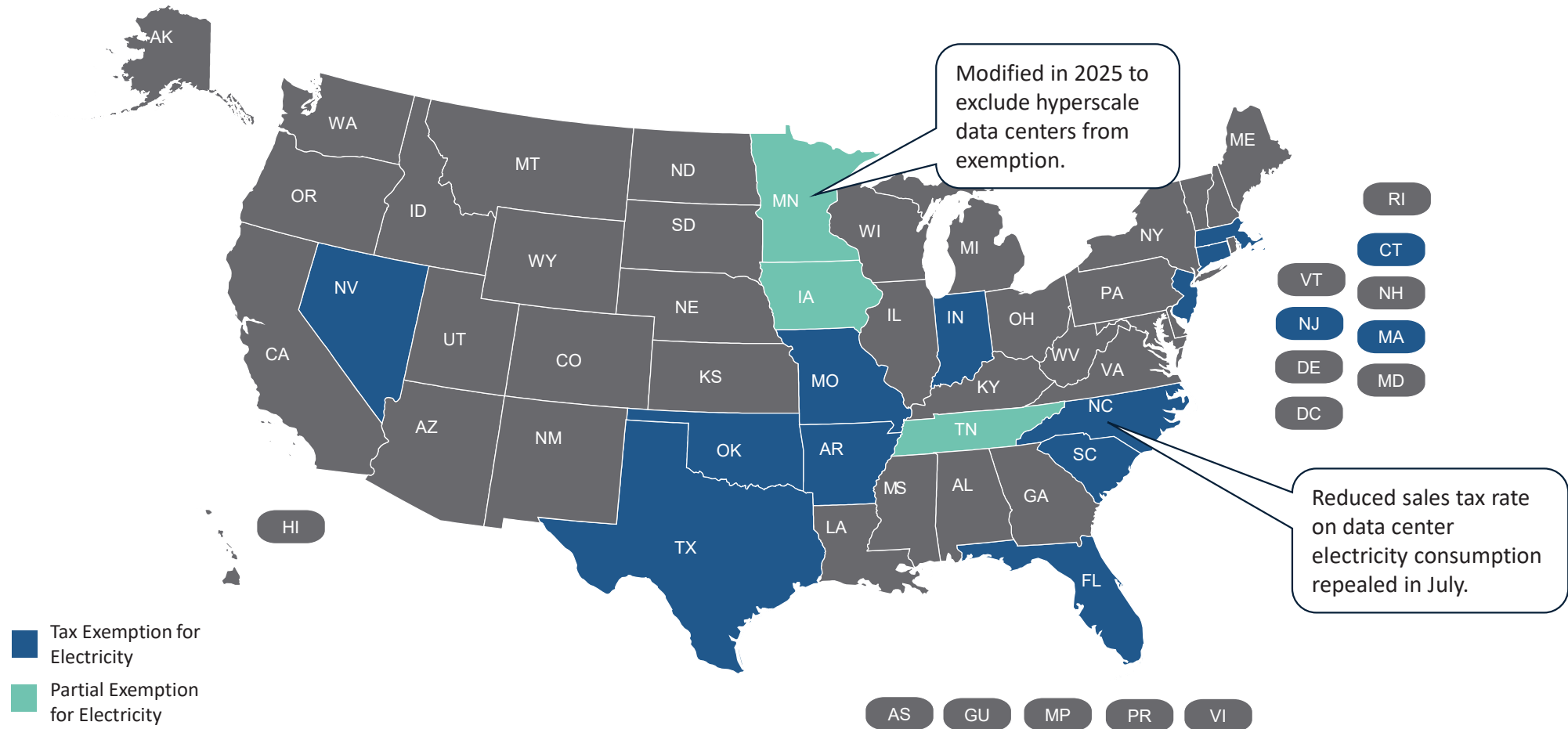
- **The expansion of data centers requires significant investments in the grid to support the increase in energy demand.**
- **Many states are considering specific tariffs or rate schedules for large loads like data centers to prevent costs associated with their interconnection from shifting to unrelated customers.**
- **State definitions of large loads range from 20 MW to 100 MW.**
- **Key Enacted Legislation**
 - Maryland SB 937 (2025)
 - Oregon HB 3546 (2025)
 - Minnesota HF 16 (2025)
 - Florida SB 484 (2026)
 - Idaho HB 911 (2026)
 - Oklahoma HB 2992 (2026)

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**
 - New Jersey SB 4293 (Vetoed, 2025)
 - Nebraska LB 1010 (Enacted, 2026)
 - Oklahoma HB 3394 (Introduced, 2026)
 - California AB 1577 (Introduced, 2026)
 - Utah HB 585 (Introduced, 2026)

Tax Incentives Around Data Center Electricity Usage



31 states consider transparency and reporting requirements, cooling systems, etc. in 2026

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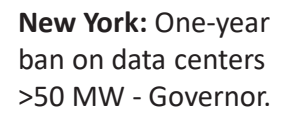


Data Center Moratoriums

Newer, fast-moving topic

New York's one-year moratorium is the nation's first.

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Source: NCSL research

State Data Center Moratorium Legislation



Delaware SB 353: No permits for >100MW until 2027.



Minnesota HB 4888: No permits until study, at least until July 2027.



South Carolina H 5526: No local permits until state “oversight.”



Georgia HB 1059: No local permits until Dec. 2028.



New Hampshire HB 1265: No new facilities for one year.



South Dakota SB 232: One year ban on expanded/new data centers.



Maine LD 307: No new data centers >20MW until Nov. 2027.



New Jersey AB 5482: Six-month pause approval or construction.



Vermont S 205: Moratorium until 2030 and impact study.



Maryland HB 120: No new permits until local power available.



New York AB 10141: No new facilities until study completed.



Virginia HB 1515: No local permits until July 2028 or no more interconnection backlog.



Oklahoma SB 1488: No new construction until Nov. 2029.



Wisconsin SB 1061: No operations until 14 criteria satisfied.



Michigan HB 5594: No new permits until April 2027.



Pennsylvania SB 1359: Three-year moratorium on construction.

How Would Proposed Data Center Moratoriums Work?

**.5-4
years**

Most proposed moratoriums (13/16) would halt new data centers for 6 months to 4 years.

**11
states**

States are considering impact studies, working on studies now, or recently completed studies.

**50
MW**

Energy thresholds are increasingly used to define data centers, as in New York.

In Summary: What Legislatures are Considering

Fiscal Policy

States are increasingly reconsidering tax incentives.

Adding guardrails and pursuing “repeal-lite.”

Natural Resources

Energy use top-of-mind, managed with tariffs and rate schedules.

Water use often explored with new transparency requirements.

Moratoriums

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Questions?

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REPORT

Subsidizing Servers: How States Are Competing to Attract Data Centers

