



The Economic Impacts of Data Centers

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Impact of data centers on property values

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Introduction to data center moratoriums



Data center incentives

A quick introduction

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
- **14 states offer sales tax exemptions for electricity used by data centers**
 - Minnesota partially rolled back its electricity exemption in 2025
- **11 states offer partial property tax abatements**
- **States often attach conditions and requirements to those incentives**



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

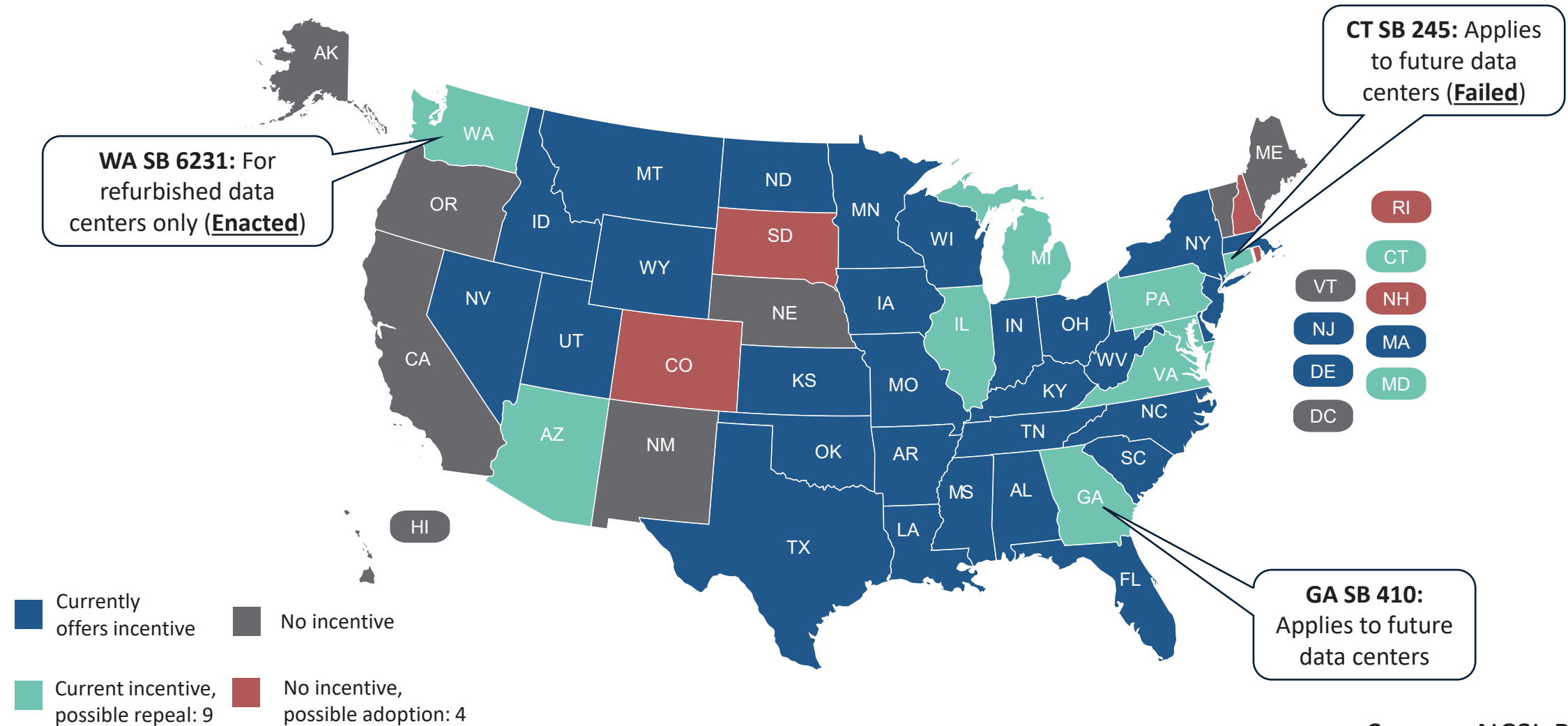
Energy use: Ongoing data center operations have substantial energy demands.

Environmental considerations: Data centers may have land use and significant water demands.

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

State Incentives for Data Centers: 2026 Actions

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



Source: NCSL Research

Significant 2026 Data Center Tax Incentive Legislation: Quick Version

Considering Brand-New Incentives

Colorado, New Hampshire, South Dakota, and Rhode Island

None advanced out of committee so far

All proposed incentives are “frameworks” with “guardrails”

Considering Full Incentive Repeal

Nine states (AZ, CT, GA, IL, MD, MI, PA, VA, and WA) have considered repealing their incentives

Bills that advanced (CT, GA, and WA) are “repeal lite”

Old projects still grandfathered in, scope restricted, etc.

April 1: Washington becomes first state to enact its “repeal lite,” removing tax exemption for refurbished data centers

How much do data center incentives cost?

Virginia may forego \$1.6 billion this year on data center tax incentives (Virginia also has, by far, the most data centers)

In nearly every state with incentives, cost and uptake has grown significantly faster than expected

- Pennsylvania: total cost revised up to \$2.5 billion by 2030
- Georgia: foregone revenue up from \$18 million to \$250 million since 2018

As states face flattening revenue, reducing tax expenditures could prove attractive

\$100 million

Approximate annual cost of data center incentives to states

90%

Percent of data centers that utilize available tax expenditures

\$0.30-\$0.52

Range of estimated fiscal ROI per dollar spent on incentives



Incentives as a “Carrot”

Can incentives change data
center activities?

Incentive Requirements for Data Centers

Besides full repeals, states are considering new requirements within data center incentives.

Energy Requirements

Utah HB 507: Prohibits municipal tax incentives for large load data centers. (Enacted)

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.

Kentucky HB 593: Numerous new requirements regarding cost shifting, etc.—tied specifically to tax incentive eligibility. (Passed House)

Fiscal Requirements

Idaho HB 897: Narrows sales tax exemption to internal servers, adds 20-year sunset, and sets new energy requirements. (Conference, passed unanimously)

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

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)



New Revenue Opportunities

For states and localities

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.

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

Data Center Taxation

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

Property Tax

Capturing data center tax increments could fund property tax relief

Data centers could also serve as a significant new local revenue stream

Sales and Use Tax

Payments in lieu of taxes could reduce cost for the state or grant new revenue to localities

Emerging Strategies

Are there new revenue opportunities available?

For example: size based (VA), energy based (MN), etc.



Data Centers and Property Values

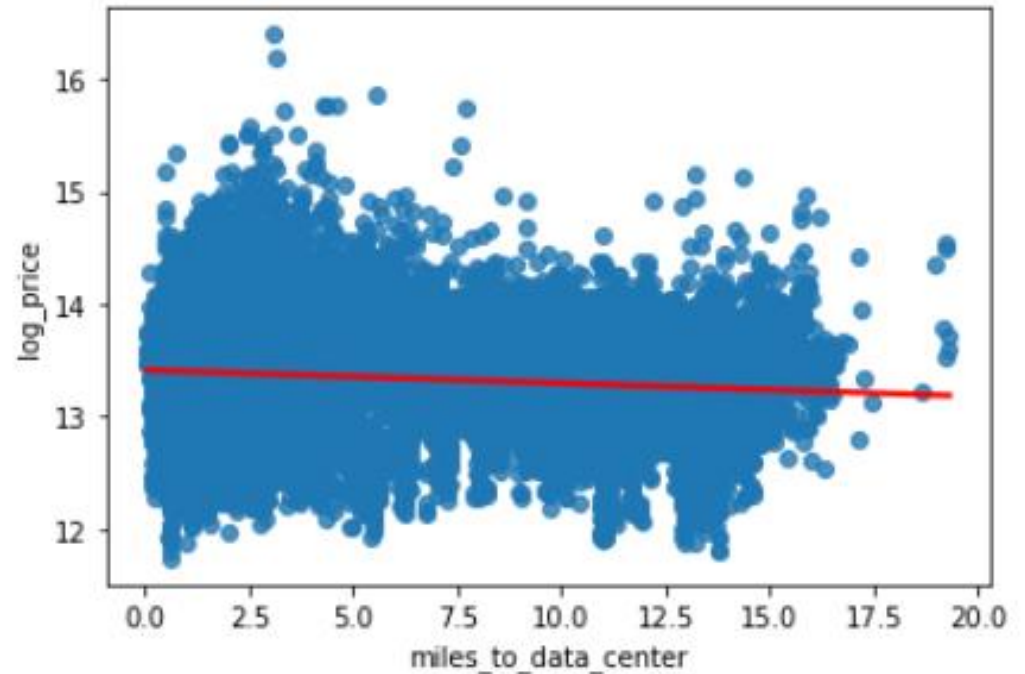
There is no consensus
(and not much evidence)

Could Data Centers Increase Property Value?

One study from Virginia suggests “Yes,” in 2023

- The effect of data centers on property values has not been rigorously explored
- One study suggests houses near data centers sell for more
 - Data centers cluster near robust infrastructure
 - Northern Virginia is a desirable area
 - Relationship might have changed since study
- Nothing causal established—we don’t know how much the properties would cost if there were no data centers

Figure 2. Sales Price (log) and Distance to Data Center



Clower and Waters, 2023, “Data Centers and 2023 Home Sales in Northern Virginia.”

Have data centers impacted property values in Virginia?

“Homeowners in residential areas close to data centers frequently express concern that having industrial sites nearby will decrease their property values. While it is certainly possible that nearby data centers have affected the resale value of homes, there is not yet evidence of this relationship. In interviews with representatives of neighborhoods opposed to nearby data centers and other informed individuals (sidebar), almost none observed a decline in property value or change in speed of home sales. One commonly cited explanation was that the tight housing market in Northern Virginia decreases buyers’ selectiveness and so proximity to data centers has not yet had a noticeable effect on property values.” (JLARC, “Data Centers in Virginia”, 2024)



No set answer...yet

“Homeowners in residential areas close to data centers frequently express concern that having industrial sites nearby will decrease their property values. While it is certainly possible that nearby data centers have affected the resale value of homes, there is not yet evidence of this relationship. In interviews with representatives of neighborhoods opposed to nearby data centers and other informed individuals (sidebar), almost none observed a decline in property value or change in speed of home sales. One commonly cited explanation was that the tight housing market in Northern Virginia decreases buyers selectiveness and so proximity to data centers has not yet had a noticeable effect on property values.”

- **“Certainly possible”**
- **“Not yet evidence”... in 2024**
- **Other features of the housing market more important?**

Legislative Action on Property Values

Two bills would address concerns about data center impacts on property values

- Property values remain ‘top of mind’
- Lawmakers in two states have introduced measures to compensate landowners near data centers
- Main difference: compensation from developer vs. from government agencies



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.

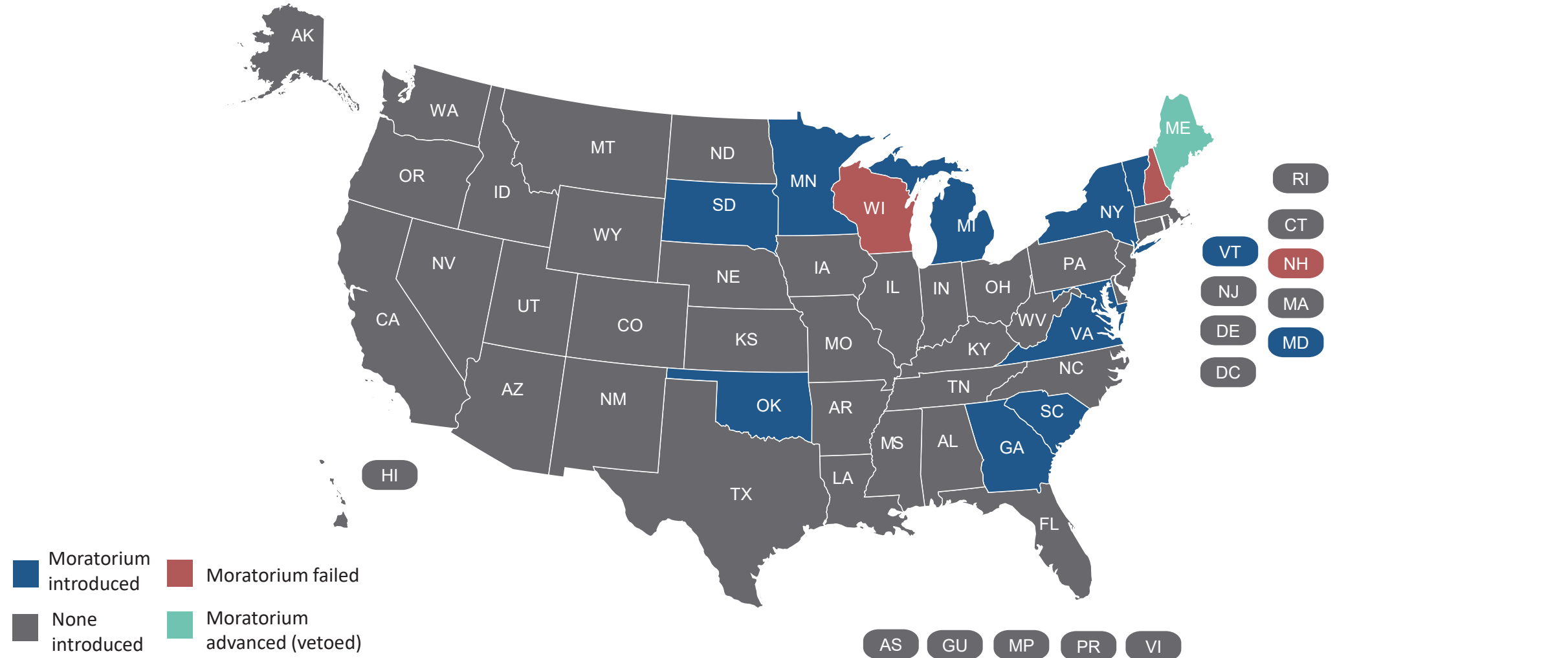


Data Center Moratoriums

New, fast-moving topic

Legislative Action on Data Center Moratoriums

Maine's moratorium passed the legislature but was vetoed by the governor



Source: NCSL research

State Data Center Moratorium Legislation



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



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



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



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



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



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.



Michigan HB 5594: No new permits until April 2027.



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



Wisconsin SB 1061: No operations until 14 criteria satisfied.



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

How Would Proposed Data Center Moratoriums Work?

**1-4
years**

Most proposed moratoriums (10/13) would halt new data centers for 1 to 4 years.

**11
states**

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

**20
MW**

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

Why Are States Considering Moratoriums?

- **Energy use:** Ongoing data center operations have substantial energy demands.
 - Data center energy use is the subject of several studies, and there is no consensus on the impact on utility prices.
 - Proposed moratoriums in MD and VA are contingent on electricity availability.
- **Water use:** Depends on the type of data center, often drives restrictions in western states
- **Local property concerns:** Noise, pollution, land values.
 - Separate from moratoriums, legislation in IL and KS would protect property rights for data centers' neighbors.

Possible Data Center Benefits

- **Employment:** Up to 1,500 during construction, and approx. 10-20 permanent positions.
- **Capital:** Data centers are very expensive to build; some benefits flow to local economies.
- **Property tax:** Data centers can create substantial local property tax revenue.

Questions?

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Report 

Subsidizing Servers: How States Are Competing to Attract Data Centers

Updated April 01, 2026

Related Topic: **FISCAL**

Key Takeaways

Currently, 38 states offer dedicated tax incentives for data centers, ranging from sales and use tax exemptions for computers and electricity to property tax abatements.

Amid rising costs and energy concerns, states are reassessing their incentives to attach additional requirements or even repeal them completely.

NCSL's research offers a detailed, 50-state look at the current landscape of data center incentives, offering the most comprehensive look yet at this fast-moving policy topic.



Data Centers: Energy Usage

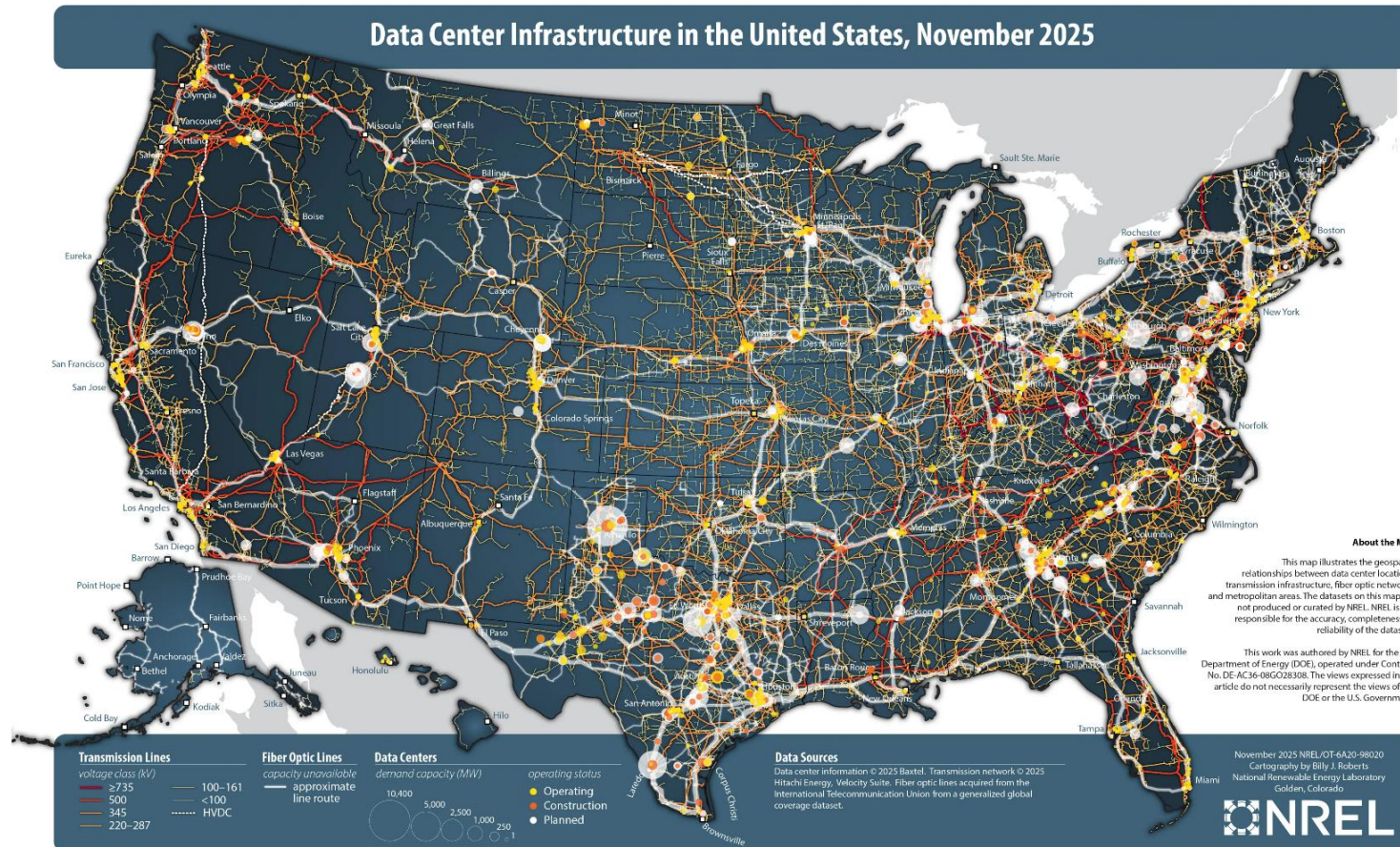
State Policy Trends

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Data Centers and Energy Demand

Data Centers could make up over 9% of national electricity consumption by 2030

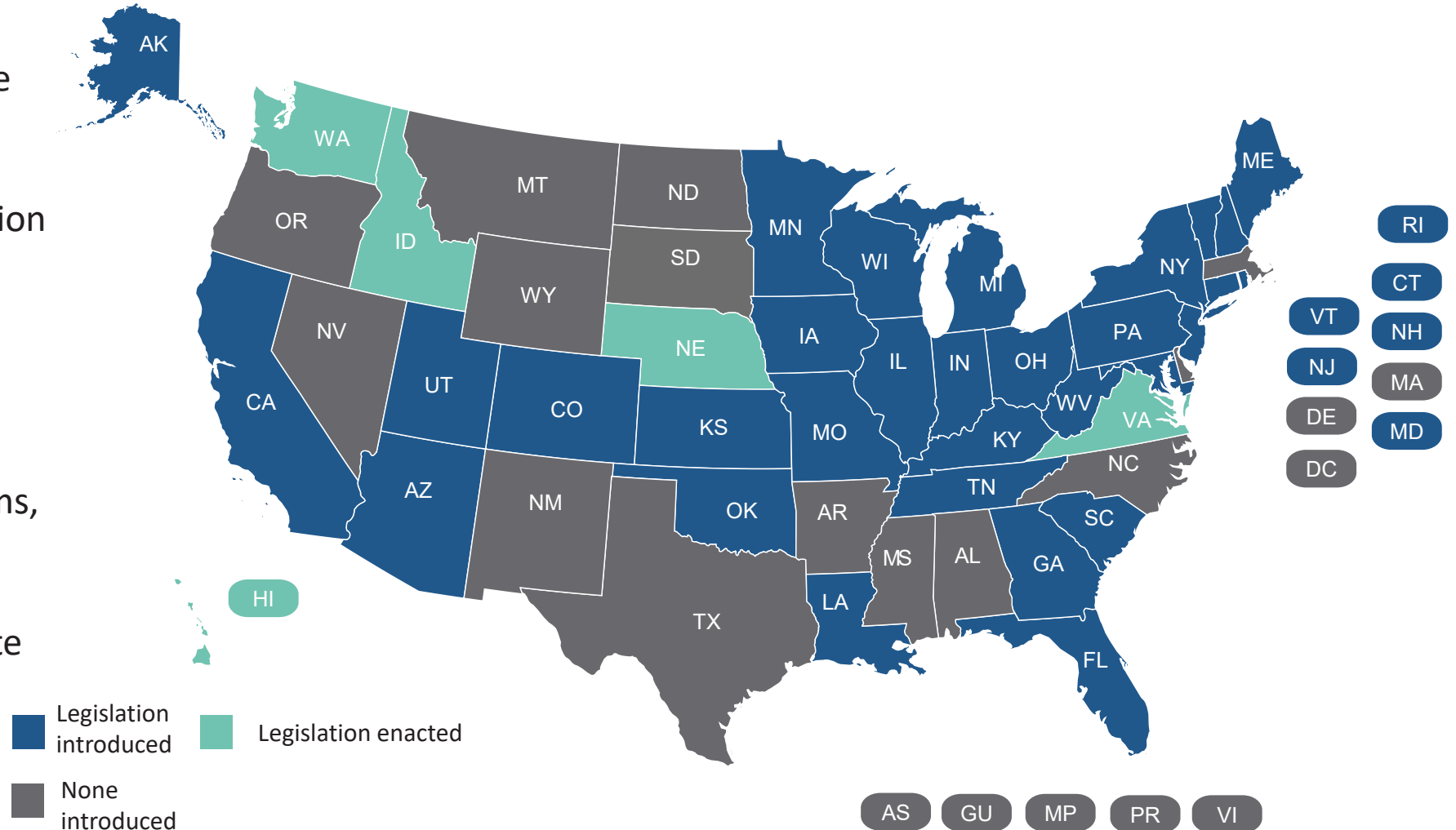


Source: [National Lab of the Rockies](#)

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 3456 (2025)
 - Minnesota HF 16 (2025)
 - Utah SB 132 (2025)
 - Idaho HB 911 (2026)

Demand Side Management



- **States have considered various measures to manage the energy consumption of data centers.**
- **Texas SB 6 (Enacted, 2025)** – set new interconnection rules for large loads and requires large loads to participate in a mandatory demand side management program.
- **Virginia SB 371 (Enacted, 2026)** – requires utilities to establish voluntary demand flexibility programs for high energy demand customers.
- **West Virginia HB 2014 (Enacted, 2025)** – established the High Impact Data Center Program and the Microgrid Development Program.
- **Kansas HB 2664 (Introduced, 2026)** – would establish a framework for private energy campuses to serve the needs of large loads like data centers.
- **Colorado HB 1030 (Introduced, 2026)** – 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.

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)



Thank you!

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