MARYLAND
Chamber of Commerce

LEGISLATIVE POSITION:
Unfavorable
House Bill 905
Sales and Use Tax Exemption – Qualified Data Center Personal Property – Eligibility
House Ways and Means Committee
Thursday, February 29, 2024

Dear Chairwoman Atterbeary and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 6,800 members and federated partners working to develop and promote strong public policy that ensures sustained economic growth and prosperity for Maryland businesses, employees, and families.

House Bill 905 alters the eligibility for an exemption from the sales and use tax for qualified data center personal property, the definition of "qualified data center" so as to require the payment of certain prevailing wages, employment of certain apprentices, installation of certain battery storage, incorporation of on-site solar energy generation to the extent practicable, and purchase of a certain percentage of energy demanded by the data center from certain wind-based generators or solar renewable energy credits.

In the 2020 legislative session, the Maryland General Assembly wisely chose to pass SB 397, Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers, a bill exempting the sales tax for certain data center equipment after investment thresholds had been met. The goal of that legislation was to draw data center investment into Maryland to take advantage of a booming industry running out of room in neighboring Virginia. Serving as the lead of the Maryland Data Center Coalition at the time, the Maryland Chamber of Commerce commissioned Mangum Economics to produce an economic impact study on the potential impacts of large data center development in Maryland (study attached). Some of the key findings include:

1. Large data centers provide a high benefit to cost ratio for counties in terms of tax revenue generated versus government services provided.
2. Large data centers provide significant one-time economic and fiscal impacts on counties during the construction phase.
3. Large data centers provide significant annual economic and fiscal impacts on counties during their on-going operational phase.

Unfortunately, as the industry begins to invest in Maryland because of SB 397 of 2020, HB 905 threatens to move the goal posts by layering on new and significant requirements to qualify for the sales and use tax exemption. Going above and beyond what is required in other states to qualify for their incentive programs, HB 905 threatens to stop economic investment in Maryland before shovels are in the ground.

Further, as the General Assembly considers legislation key to Governor's Moore's initiatives to make Maryland more competitive, such as HB 579 - Critical Infrastructure Streamlining Act of 2024, HB 905 would stand in direct contradiction, threatening the Governor's vision of a more competitive Maryland.

The Maryland Chamber's economic impact study showed annual county revenue estimates for targeted counties to be significant:

Baltimore County was estimated to see annual revenues of $5.6 million,
Howard County was estimated at $4.7 million in annual revenue,
Prince George's County was estimated to see $5.5 million in annual revenue.

At a time when Maryland needs to focus on policies encouraging economic investment and job creation, HB 905 would upend that potential and make realized investment difficult and potentially not possible. For these reasons, the Chamber respectfully requests an **unfavorable report** on **HB 905.**