



LEGISLATIVE POSITION:

Favorable

**Senate Bill 397: Sales and Use Tax and Personal Property Tax-
Exemptions- Data Centers
Senate Budget & Taxation Committee**

Wednesday, February 12, 2020

Dear Chairman Guzzone 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 4,500 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees and families.

Data centers are secure facilities that house the computer and network equipment that store, process and distribute large amounts of data. They are considered the foundation of today's digital economy and the backbone of the rapidly growing technology sector.

The economic impact—both direct and indirect—of data centers is substantial. According to a report by the U.S. Chamber of Commerce Technology Engagement Center, during construction, a typical data center employs roughly 1,700 workers, provides \$77.7 million in wages for those workers, produces \$243.5 million in output along the local economy's supply chain and generates \$9.9 million in revenue for state and local governments. Every year thereafter, the same data center supports roughly 160 local jobs, paying \$7.8 million in wages, injecting \$32.5 million into the local economy and generating \$1.1 million in state and local revenue.¹

However, the positive economic impact of data centers does not stop there. The incremental local taxes paid by data centers directly and indirectly support schools and law enforcement, as well as improving local public infrastructure including the expansion of broadband.

Senate Bill 397 would provide a sales-and-use tax exemption for the sale of qualified computer technology—including computer equipment, software, servers, routers, connections, and other enabling hardware—for use at a qualified data center. Today, thirty-five states provide data centers with some sort of sales-and-use tax exemptions for the purchases of required equipment. In 2019, Illinois, Indiana, and Alabama passed significant legislation helping to attract data centers to come to their states. Locally, Pennsylvania has also introduced key legislation to expand existing incentives. As well, within the last 5 years, no large-scale

¹ Tim Day and Nam D. Pham, "Data Centers: Jobs and Opportunities in Communities Nationwide," U.S. Chamber of Commerce Technology Engagement Center, 2017,

https://www.uschamber.com/sites/default/files/ctec_datacenterrpt_lowres.pdf

enterprise data center has located in a state that imposes its full sales tax burden on data center equipment which underlines the importance of this legislation to states seeking to share in the benefits of the digital economy

In Virginia, data centers are a main economic driver, where employment and investment have increased as data center incentives have expanded in the state. According to a 2019 report from Virginia's Joint Legislative Audit and Review Commission, each \$1 million of incentive generated 155 jobs, \$26.5 million in state GDP and \$14.6 million in personal income. In addition, each dollar of sales tax exemption returned 72 cents to the state, not accounting for the impact to local tax revenue.²

Senate Bill 397 would level the playing field and attract data center business to Maryland, supporting the State's mission of being a leader in innovation and investment in cyber and information technology.

For these reasons, the Maryland Chamber of Commerce respectfully requests a **Favorable Report** on Senate Bill 397.

² Data Center and Manufacturing Incentives: Economic Development Incentives Evaluation Series," Report to the Governor and the General Assembly of Virginia, Joint Legislative Audit and Review Commission, June 17, 2019, <http://jlarc.virginia.gov/pdfs/reports/Rpt518.pdf>

