



MARYLAND TECH COUNCIL

TO: The Honorable Guy Guzzone, Chair
Members, Senate Budget and Taxation Committee
The Honorable Stephen S. Hershey, Jr.

FROM: Richard A. Tabuteau
Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman

DATE: February 12, 2020

RE: **SUPPORT** – Senate Bill 397 – *Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers*

The Maryland Tech Council (MTC) is a collaborative community, actively engaged in building stronger life science and technology companies by supporting the efforts of our individual members who are saving and improving lives through innovation. We support our member companies who are driving innovation through advocacy, education, workforce development, cost savings programs, and connecting entrepreneurial minds. The valuable resources we provide to our members help them reach their full potential making Maryland a global leader in the life sciences and technology industries. On behalf of MTC, we submit this letter of **support** for Senate Bill 397.

Senate Bill 397 provides 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. Data centers house computer and network equipment that store, process and distribute large amounts of data serving as the foundation of the digital economy. Under Senate Bill 397, an individual or corporation is eligible for the exemption if they invest at least \$2 million in improvements or new construction and create 5 jobs in a Tier 1 county or invest at least \$5 million in improvements or new construction and create 10 jobs in all other jurisdictions.

Currently, 35 states, including Virginia, provide data centers with sales-and-use tax exemptions for the purchases of required equipment. Maryland's competitive disadvantage is accentuated by the fact that no large-scale enterprise data center has located in a state that is without some sort of sales tax exemption on data center equipment. According to the U.S. Chamber of Commerce, during construction, a data center generates about \$9.9 million in revenue for state and local governments. After construction, it generates about \$1.1 million in state and local revenue on an annual basis.

With passage of Senate Bill 397, Maryland technology companies would be able to take advantage of this tax exemption, which would allow for more reinvestment in growth opportunities and employment expansion, while reducing both the cost of running a business and the need for equity capital. As such, the Maryland Tech Council urges the Senate Budget and Taxation Committee to give Senate Bill 397 a favorable report.

For more information call:

Richard A. Tabuteau

Pamela Metz Kasemeyer

J. Steven Wise

Danna L. Kauffman

410-244-7000