

## **RMC-Support -SB397**

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Position: FAV



John Hartline, Chair

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Email: [rmc.mda@maryland.gov](mailto:rmc.mda@maryland.gov)  
Website: [www.rural.maryland.gov](http://www.rural.maryland.gov)  
Charlotte Davis, Executive Director

## POSITION STATEMENT

Senate Bill 397- Sales and Use Tax and Personal Property Tax- Exemptions – Data Centers  
Budget and Taxation Committee  
February 12, 2020

The Rural Maryland Council **SUPPORTS** Senate Bill 397 - Sales and Use Tax and Personal Property Tax - Exemptions - Data Centers. This bill provides an exemption from the sales and use tax for the sale of qualified computer technology—including computer equipment, software, servers, routers, connections, and other enabling hardware for use at qualified data centers.

Data centers are secure facilities that house computer and network equipment that store, process and distribute large amounts of data. Data centers are considered the foundation of today's booming digital economy and rapidly growing technology sector. For example, drones and sensors used by farmers to monitor their crops and soil are powered by data centers, as are gene therapies for diseases like cancer. Data Centers economic impact is substantial as they ultimately support approximately 160 local jobs, pay \$7.8 million in annual wages, inject \$32.5 million in the local economy, and can generate \$1.1 million in state and local revenue.

[https://www.uschamber.com/sites/default/files/ctec\\_datacenter rpt\\_lowres.pdf](https://www.uschamber.com/sites/default/files/ctec_datacenter rpt_lowres.pdf)

Today, 35 states provide data centers with sales-and-use tax exemptions for the purchases of required equipment, including Virginia. Virginia has benefited significantly from the positive tax treatment of qualified data centers. According to a 2019 report from Virginia's Joint Legislative Audit and Review Commission, data center employment and investment have increased as data center incentives have expanded in the state. However, Virginia is running out of space and companies are looking to its neighbors to determine where to expand.

SB 397 will boost Maryland's economic development by attracting data centers and supporting the state as a leader in innovation and investment in cyber and information technology. The Council respectfully requests your favorable support of SB 397.

*The Rural Maryland Council (RMC) brings together citizens, community-based organizations, federal, state, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to collectively address the needs of Rural Maryland communities. We provide a venue for members of agriculture and natural resource-based industries, health care facilities, educational institutions, economic and community development organizations, for-profit and nonprofit corporations, and government agencies to cross traditional boundaries, share information, and address in a more holistic way the special needs and opportunities in Rural Maryland.*

**"A Collective Voice for Rural Maryland"**

## **NetChoice\_FAV\_SB 397**

Uploaded by: comstock, barbara

Position: FAV



Steve DelBianco  
President, NetChoice

Barbara Comstock  
Former Congresswoman,  
Advisor to NetChoice

Testimony for

Maryland Senate  
Budget and Taxation Committee

***SB 397***

*Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers*



February 12, 2020



Chairman Guzzone and members of the committee, NetChoice<sup>1</sup> is a trade association of businesses who share the goal of making the internet safe for free enterprise and for free expression. We work to promote the integrity and availability of the global internet and are significantly engaged in issues in the states, in Washington, DC and in international internet governance organizations.

We are pleased to present at your informational meeting on *the economic development opportunities of the data center industry*. However, NetChoice members (AOL, eBay, Expedia, Facebook, Google, Twitter and many others) don't think of themselves as the "data center industry." Rather, they're the industry that enables Americans to find information, to create and connect, to buy and sell, to navigate their world, and to maintain their memories – in stored communications, docs, photos, and videos.

Data centers contain essential production equipment to deliver these services, so our members are eager to see Maryland join other states who recognize that to attract capital-intensive large data centers, it is necessary to allow the same sales tax treatment they have allowed for decades on equipment needed for other capital-intensive industries like manufacturing and agriculture.

Moreover, data centers are recession-proof, with high-paying tech jobs. Where our companies have invested in enterprise data centers, they contribute significantly to local taxes and are strong supporters of education and broadband expansion. And those investments continue, as our companies add data centers to established campuses such as this Facebook facility near Columbus, Ohio.

Facebook's initial 970,000 SF center cost \$750 million, making it the largest commercial project in the city.

Construction brought \$244 million to the local supply chain and 1,200 construction workers earned \$78 million in wages.

Across the street, Google is planning a \$600 million, 275,000



SF data center on 440 acres, setting the potential for future expansion.<sup>2</sup>

Our testimony includes the perspectives of an economic development official and a lawmaker who helped Virginia become the world's leading location for data centers.

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<sup>1</sup> NetChoice is a trade association of leading e-Commerce and online businesses, at [www.netchoice.org](http://www.netchoice.org). The views expressed here do not necessarily represent the views of every NetChoice member company.

<sup>2</sup> Columbus Business First (Apr-2019) *Facebook's New Albany data center will be much bigger than originally planned*"

## Virginia's journey to becoming the world leader for data centers

Most NetChoice members store data where Barbara and Steve live -- Northern Virginia, the world's #1 concentration of data centers. That's where these companies store your emails, documents, photos and videos of your cute kids and grandchildren. Data centers provide millions in tax revenue and thousands of jobs, serving as the backbone of Virginia's tech industry while helping diversify the state's economy.

A new study by Mangum Economics<sup>3</sup> counts these Virginia benefits attributable to data centers in 2018:

**45,290 jobs**

**\$ 3.5 Billion in labor income**

**\$10.1 Billion in economic output**

Regarding earnings for data center workers, the 2020 Virginia study found that average annual wages in the data center industry doubled to just over \$126,000 between 2001 and 2018, growing "almost twice as fast as the average private sector employee in Virginia".

In 2018, data centers made \$2.6 billion in capital investments across Virginia, supporting 4,617 jobs, \$254 million in labor income, and \$670 million in economic output in the state's construction industry.

Moreover, these data centers generate significant tax revenue for local governments. In Loudoun and Prince William Counties, the benefit-to-cost ratio for data centers is more than 8-to-1. For every dollar spent by county governments related to data centers, they realized at least \$8 in new tax revenue.

But it took a purposeful economic development approach to make this happen.

In the late 1990's, Governor Jim Gilmore appointed Steve to the board of Virginia's economic development agency (Virginia Economic Development Partnership). Virginia was keen to pursue economic development for a growing Internet industry that already had two important anchors in the Commonwealth. America Online was based in Northern Virginia. And the Metro Area Exchange (MAE-East) handled half of American's internet traffic – in a parking garage in Tysons Corner, where Steve's software business was headquartered.

But it soon became clear that AOL and MAE-East was not enough to win the most significant data center location competition of that time. In 2011, Virginia lost out to North Carolina on the construction of a billion-dollar data center that Apple was planning. What tipped the balance in favor of the Tar Heel State was an ongoing commitment to update their sales tax structure to attract data centers.

Apple's decision was a wake-up call that made it clear Virginia had to constantly update its business and tax environment in an increasingly high-stakes competition for the jobs and investments of the 21st century. That's where Virginia Delegate Barbara Comstock rose to the challenge.

In 2012, Barbara served in the Virginia General Assembly and introduced legislation to update the tax code for data centers. A bipartisan, state-wide coalition, and the leadership of the Northern Virginia Technology Council, resulted in near unanimous passage.

In 2016, the legislation was further updated and provided more certainty for data centers. These bills gained the signatures of Republican Gov. Bob McDonnell and Democratic Gov. Terry McAuliffe. All understood that data centers were the basic infrastructure for innovation, for the future, and for nurturing high-paying jobs. Virginia opened the door to billions of dollars of investments in the form of

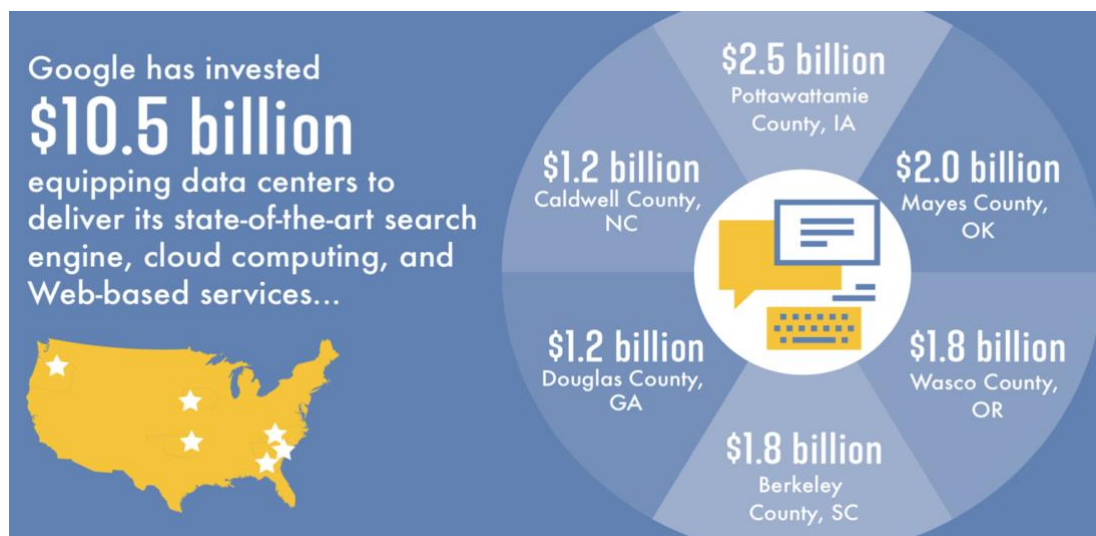
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<sup>3</sup> Jan-2020, Mangum Economics, *THE IMPACT OF DATA CENTERS ON THE STATE AND LOCAL ECONOMIES OF VIRGINIA*, at [https://www.nvtc.org/NVTC/Insights/Resource\\_Library\\_Docs/2020\\_NVTC\\_Data\\_Center\\_Report.aspx?zs=doEs91&zl=5cbX5](https://www.nvtc.org/NVTC/Insights/Resource_Library_Docs/2020_NVTC_Data_Center_Report.aspx?zs=doEs91&zl=5cbX5)

high-tech data processing and hosting centers, and Virginia remains the number one state for data centers—in the world. (see Annex 1 for Barbara Comstock’s Feb-2019 editorial describing the full story).

### Large-scale enterprise data centers are now in several states that established a data center sales tax exemption

The experience of Virginia has been repeated in several other states that established a data center exemption like that allowed for manufacturing and agricultural production equipment. Oxford Economics prepared this infographic to summarize its study of six Google data centers in rural and suburban counties in Iowa, Oklahoma, Oregon, South Carolina, Georgia, and North Carolina.



Oxford also studied the broader income and economic activity effects of those six Google data centers, finding \$750 million in labor income and \$1.3 billion in activity.



Google’s recent announcement that it will double its data center and office footprint in Virginia, coupled with Amazon choosing the commonwealth as its second headquarters, show that Virginia’s commitment to creating an attractive technology business climate is delivering results *and* incremental tax revenue.

## Enterprise data centers bring Incremental economic benefits and incremental tax revenue

Not only do high wages in the data center industry offer a vital new employment option, but these centers also are a driving force in the development of renewable energy resources and upgrades to utilities and internet infrastructure. Moreover, the data centers generate new income and business taxes, sales taxes on non-exempt purchases and electricity, and local property taxes.

For that reason, we encourage Maryland to adopt a “**Here vs Not here**” analysis of whether to establish a data center exemption like that allowed for manufacturing and agriculture. This recognizes the reality that over the last five years, no enterprise data center has located in states that impose their full sales tax burdens on data center server equipment.

The decision to establish a data center sales tax exemption still generates incremental tax revenue—despite the sales tax exemption on data center equipment. The first table lists several economic benefits that accrue if the Commonwealth is successful in attracting large enterprise data centers:

Incremental economic benefits of data centers	Here	Not here
Income & spending by construction workers & contractors	+	0
Income & spending by data center employees	+	0
Revenue for local suppliers, contractors, lodging, and restaurants	+	0
High-tech training and experience for workforce	+	0
Make the state more attractive for tech business and education	+	0
Diversify local economies	+	0

In 2018 alone, data centers generated more than \$250 million in local tax revenue for Loudoun county in Virginia — 85 percent of which comes from personal property taxes on data center equipment. That money supports local schools, law enforcement, and reduced tax increases on families and homeowners. Now these benefits are spreading to counties across Virginia.

This second table lists several incremental tax revenue opportunities from data center construction and operation—even after establishing a data center exemption:

Incremental tax revenue from data centers	Here	Not here
Income taxes paid by employees and contractors	+	0
Corporate income taxes from data center operators & contractors	+	0
Sales taxes on non-exempt equipment and supplies	+	0
Lodging taxes for visits by contractors and workers	+	0
Sales taxes on business services	+	0
Local real estate & personal property taxes	+	0

In June of 2019, Virginia's Joint Legislative Audit and Review Commission (JLARC) published its audit report and evaluation of Virginia's tax incentives for data centers, using confidential tax information from data center taxpayers<sup>4</sup>. JLARC concluded that 90 percent of the investment in data centers eligible for the sales tax exemption would *not* have been made in Virginia were it not for those tax exemptions. Those investments would have been made in other states that give data center equipment the same tax exemptions long given on equipment used in manufacturing and agriculture.

As Mangum concluded in its 2020 Virginia Study, "*the 'cost' of the State data center incentive is only 10 percent of the amount of State sales tax revenue exempted.*"<sup>5</sup> In fact, JLARC's analysis showed that Virginia recovered \$1.09 in state tax revenue for every dollar of sales tax that was exempted for data center equipment purchases in 2017.<sup>6</sup>

Idaho's legislative services embraced this "Here vs Not here" analysis in their Fiscal Note for a 2019 data center tax exemption bill, H 279:

*There is no fiscal impact for business entities qualifying after January 1, 2019 with investments of at least \$250 million. An investment that large could produce up to \$15 million in sales taxes. But at least 17 other states offer the sales tax exemption for server equipment, and if Idaho does not offer an equivalent exemption, these businesses will very likely locate in states other than Idaho that do provide the exemption.*

*Accordingly, there is no loss of tax revenue from businesses that would not locate in Idaho without the exemption, and there is likely an increase in revenue from taxes related to the growth these businesses would promote.*<sup>7</sup>

## States are competing to attract enterprise data centers

While Virginia made itself the largest and most active data center market in the nation, with 70 percent of the world's internet traffic flowing through the state, it's clear that the landscape for attracting and retaining data centers has changed. Unlike a decade ago when only five states had tax structures that were welcoming to data centers, today there are 31 states, as seen in the map below<sup>8</sup>:

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<sup>4</sup> Joint Legislative Audit and Review Commission (JLARC), *Data Center and Manufacturing Incentives, Economic Development Incentives Evaluation Series*. 17-Jun-2019.

<sup>5</sup> Jan-2020, Mangum Economics, *THE IMPACT OF DATA CENTERS ON THE STATE AND LOCAL ECONOMIES OF VIRGINIA*, p.24, at [https://www.nvtc.org/NVTC/Insights/Resource\\_Library\\_Docs/2020\\_NVTC\\_Data\\_Center\\_Report.aspx?zs=doEs91&zl=5cbX5](https://www.nvtc.org/NVTC/Insights/Resource_Library_Docs/2020_NVTC_Data_Center_Report.aspx?zs=doEs91&zl=5cbX5)

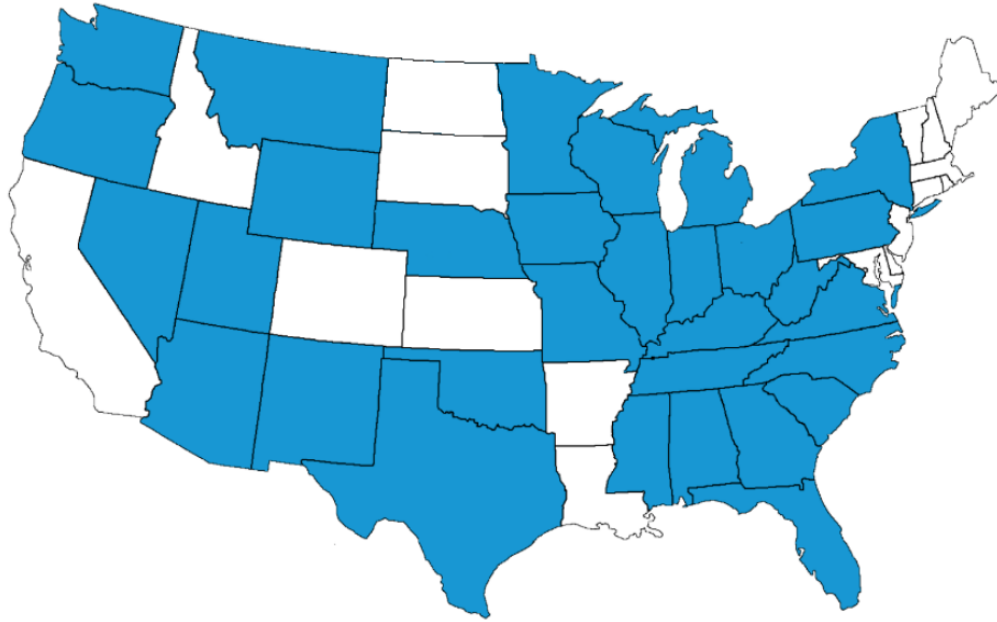
<sup>6</sup> JLARC Evaluation, Appendix N: Results of economic and revenue impact analysis, at [http://jlarc.virginia.gov/pdfs/oversight/ED\\_initiatives/datacenters\\_Appendix%20N.pdf](http://jlarc.virginia.gov/pdfs/oversight/ED_initiatives/datacenters_Appendix%20N.pdf)

<sup>7</sup> Mar-2019, Fiscal Note for Idaho House Bill 297, at <https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2019/legislation/H0279SOP.pdf>

<sup>8</sup> 2020 Mangum study for Virginia, page 32.



Figure 7. States with Active Data Center Incentives



Ohio's Economic Development Agency approved 40 years of sales tax exemptions for \$2.5 billion in data center investments in just the last 2 years.

Indiana had no sales tax incentives – and no enterprise data centers – until last summer, when their House voted 95-1 and Senate voted 46-0 to allow 50 years of sales tax exemption for data center investments over \$750 million.

### Support for SB 379 – with suggested amendment

For Maryland to compete for large enterprise data centers that have yet to locate here, the state should establish a data center exemption like that allowed for manufacturing and agriculture.

Consider this memo from Senator Scott Hutchinson, sponsor of Pennsylvania's legislation to permanently exempt data center equipment from sales tax:

"Similar to sales tax exemptions for other industries in the state such as dairying, farming, manufacturing and mining, this incentivizes companies to locate their data centers in Pennsylvania, creating capital investment and high paying jobs as a result"

"It promotes economic growth; fosters Pennsylvania's workforce development through the creation of high-paying, high-tech jobs in computer data centers and related industries. I urge you to support this sales tax exemption for data centers, an industry that represents the future for Pennsylvania."<sup>9</sup>

SB 379 gets part of the way there, by allowing up to 10 years of sales tax exemption on data center equipment. But 10 years does not nearly match the term over which data centers replace and upgrade their servers and equipment. Competing states offer much longer-term or even permanent exemptions, so 10 years should not be expected to attract a large enterprise data center to Maryland.

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<sup>9</sup> Co-Sponsorship Memoranda for Pennsylvania bill SB 471, by Senator Scott Hutchinson, 21-Feb-2019, at <https://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20190&cosponId=28472>

SB 379 also neglects to apply to data centers the current sales tax exemption for electricity used in manufacturing and agricultural production<sup>10</sup>. You can appreciate the importance of this exemption given that electricity represents the majority of operating expenses for a large data center.

In order for Maryland to compete with other states in attracting large enterprise data centers, we suggest the following be added to SB 379:

(E) FOR A QUALIFIED DATA CENTER THAT HAS INVESTED AT LEAST \$250,000,000 IN IMPROVEMENTS, AN EXEMPTION CERTIFICATE ISSUED BY THE COMPTROLLER UNDER THIS SECTION MAY BE RENEWED FOR UP TO 20 CONSECUTIVE YEARS AND SHALL INCLUDE AN EXEMPTION FROM STATE AND LOCAL SALES AND USE TAX ON ELECTRICITY PURCHASED AND CONSUMED BY THE QUALIFIED DATA CENTER.

In conclusion, please consider what was said by the county manager where Apple built that data center in North Carolina:

*"I highly recommend it — take 'em if you can get 'em. Otherwise, send them to us."*

*"It's our single biggest taxpayer, generating revenue to the county of almost \$1.5 million and employing 400 or 500 people."*

*It was as close to a no-brainer as you get in this business."*

Mick Berry, Manager, Catawba County, NC

We thank you for your consideration and look forward to your questions.

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<sup>10</sup> Maryland Form SUT206, Exemption Certification for Utilities or Fuel Used in Production Activities, at [https://www.marylandtaxes.gov/forms/current\\_forms/ST-206.pdf](https://www.marylandtaxes.gov/forms/current_forms/ST-206.pdf)

# Richmond Times-Dispatch

## Data centers keep Virginia a strong leader in the 21st-century tech economy



*By Barbara Comstock – Published Feb 26, 2019*

In 2011, Virginia lost out to North Carolina on the construction of a \$1 billion data center that Apple was planning. What tipped the balance in favor of the Tar Heel State was an ongoing commitment to update their tax structure to remain competitive in attracting this 21st-century booming business.

Up until that time, Virginia had been the leader in courting these next-generation businesses and jobs, and this wake-up call made it clear that we had to constantly update the commonwealth's business environment in an increasingly high-stakes competition for the jobs and investments of the 21st century.

In 2012, I served in the Virginia General Assembly and introduced legislation to update our tax code for data centers. A bipartisan, commonwealth-wide coalition, and the leadership of the Northern Virginia Technology Council, resulted in near unanimous passage. In 2016, Del. Tim Hugo, R-Fairfax, further updated the legislation and provided more certainty for growing data centers. These bills gained the signatures of Republican Gov. Bob McDonnell and Democratic Gov. Terry McAuliffe.

Working together, Virginia opened the door to billions of dollars of investments in the form of high-tech data processing and hosting centers, and we remain the No. 1 state for data centers. Google's recent announcement that it will double its data center and office footprint in Virginia, coupled with Amazon choosing the commonwealth as its second headquarters, show that our commitment to creating an attractive technology business climate is delivering results and revenue. Data centers are the backbone of that commitment.

Not only do the high wages in the data center industry offer a large source of state income tax revenue for our state, but these centers also are a driving force in the development of renewable energy resources, new roads, and utility and internet upgrades.

Loudoun County Economic Development Executive Director Buddy Rizer is correct when he asserts that it is not an accident that these high-tech investments are being made in Virginia. Loudoun County is the No. 1 data center market in the world — by a factor of two to three times. Virginia has made a clear choice: to support high-tech data center investments that now attract some of the most advanced technology companies and Fortune 1000 enterprises engaged in the latest in technology.

As of February 2018, the Northern Virginia Technology Council reported that the data center industry had created more than 43,000 new jobs in Virginia, contributing \$3.2 billion in labor income and over \$10 billion in economic output. In 2016 alone, the high-tech industry made \$2.6 billion in capital investments in data centers, creating more than 4,600 new jobs.



In 2018, Loudoun County welcomed more than \$5 billion in investment, and the creation of nearly 1,000 new jobs; and this year alone, data centers will generate more than \$250 million in local tax revenue for the county — 85 percent of which will come from personal property taxes on data center equipment. That is money that goes to supporting the local schools, law enforcement, and has resulted in lowering personal property tax increases on families and homeowners. Now these benefits are spreading to counties across the commonwealth.

While Virginia has made itself the largest and most active data center market in the nation, with 70 percent of the world's internet traffic flowing through our state, make no mistake: The landscape for attracting and retaining data centers has changed. Unlike a decade ago when only five states had tax structures that were welcoming to data centers, today that number has grown to 30 and the competition is fierce.

It is true that Virginia has been a leader in data centers in the past, but we have to stay vigilant to ensure our policies remain strongly competitive to retain this growing industry. Leaders in Richmond, on both sides of the aisle, are to be commended for understanding that data centers are a tremendous opportunity for the entire commonwealth and for their own communities, and that the strong bipartisan policy of Virginia has allowed us to be a technology front-runner, with the workforce to support the economy of the future.

*Barbara Comstock is a former U.S. representative from Virginia's 10th District; she also served from 2010–14 in the Virginia House of Delegates, where she was chairwoman of the Science and Technology Committee. She is an adviser to NetChoice, and may be contacted at [Barbara@comstockstrategy.com](mailto:Barbara@comstockstrategy.com).*

## **Eastern Shore Delegation\_FAV\_SB397**

Uploaded by: Delegation, Eastern Shore

Position: FAV

SENATORS

MARY BETH CAROZZA  
ADDIE C. ECKARDT  
JASON C. GALLION  
STEPHEN S. HERSHEY, JR.



THE MARYLAND GENERAL ASSEMBLY  
ANNAPOLIS, MARYLAND 21401  
EASTERN SHORE DELEGATION

DELEGATES

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JAY A. JACOBS  
CHARLES OTTO  
TERESA REILLY  
SHEREE SAMPLE-HUGHES

February 7, 2020

The Honorable Guy Guzzone  
Chair, Budget and Taxation  
Miller Senate Office Building, 3W  
Annapolis, Maryland 21401

Re: SB 397/HB 1339-Sales and Use Tax and Personal Property Tax-Exemptions-Data Center

Dear Chairman Guzzone and Members of the Budget and Taxation Committee:

This is a letter of support from the Eastern Shore Delegation for SB 397/HB 1339-Sales and Use Tax and Personal Property Tax-Exemptions-Data Center.

Thank you for your consideration for a favorable report on this bill.

Sincerely,

  
Steven J. Arentz, Chair  
Eastern Shore Delegation

cc: Maryland Chamber of Commerce



## **Alantech Online\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV



February 4, 2020

The Honorable Guy Guzzone, Chair  
Budget and Taxation Committee  
3 West, Miller Office Building  
Annapolis, MD 21401

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

Dear Senator Guzzone and Members of the Budget and Taxation Committee:

We have reviewed and fully support Senate Bill 397 being heard in the 2020 legislative session to provide an exemption from the sales and use tax for data centers.

The proposed bill encourages data centers to locate in the state of Maryland. This industry is both environmentally friendly and provides high paying jobs. This bill gives Maryland a competitive place in the market for data center attraction.

The state of Virginia passed similar legislation ten years ago and has seen an incredible increase in data centers, partially due to the sales and use tax exemption offer by the State. In Virginia the data center sector provides up to \$9.50 in tax revenue for every dollar in expenditures. Increased state and county tax revenues and additional jobs are realized from the businesses that follow data center locations.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas J. Collins', written in a cursive style.

Thomas J. Collins  
Director of Sales & Marketing

## **Caroline County Econ Dev\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV



9194 Legion Rd, Suite 1  
Denton, MD 21629  
Tel: 410.479.4188

February 5, 2020

The Honorable Guy Guzzone  
3 West Miller Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401

Dear Chair Guzzone:

I am writing in support of **Senate Bill 397, Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers** to provide an exemption from the sales and use tax for certain qualified computer technology equipment for use at a qualified data center.

The proposed bill encourages data centers to locate in the state of Maryland. This industry is both environmentally friendly and provides high paying jobs that are especially needed in the rural areas of Maryland, including Caroline County. This bill gives Maryland a competitive place in the market for data center attraction.

A Sales and Use Tax exemption will help attract data centers to choose Maryland over neighboring Virginia and Delaware. State, counties, and municipalities could realize additional tax revenue from the increase in economic activity and jobs.

Caroline County supports Senate Bill 397 and requests a favorable report from the Budget and Taxation Committee.

Sincerely,

A handwritten signature in blue ink that reads "Debbie Bowden". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Debbie Bowden  
Director



# **Commissioners of St Marys County\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV

ST. MARY'S COUNTY GOVERNMENT  
**COMMISSIONERS OF  
ST. MARY'S COUNTY**



James R. Guy, President  
Eric Colvin, Commissioner  
Michael L. Hewitt, Commissioner  
Todd B. Morgan, Commissioner  
John E. O'Connor, Commissioner

**Senate Bill 397**

Sales and Use Tax and Personal Property Tax –  
Exemptions – Data Centers

Hearing: February 12, 2020

**SUPPORT**

February 11, 2020

The Honorable Senator Guy Guzzone, Chairman  
Budget and Taxation Committee  
3 West, Miller Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401

Dear Chairman Guzzone:

The Commissioners of St. Mary's County SUPPORT Senate Bill 397 Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers which is being heard on February 12, 2020 in the Budget and Taxation Committee.

The Commissioners of St. Mary's County support the introduction of this legislation and believe this legislation would benefit the citizens of St. Mary's County. We look forward to working with you on this and other initiatives throughout the session.

Sincerely,  
COMMISSIONERS OF ST. MARY'S COUNTY

  
James Randy Guy, President

CSMC/AB/sf  
T:/Consent/2020/043

Cc: Senator Jack Bailey  
Delegate Matthew Morgan  
Delegate Gerald Clark  
Delegate Brian Crosby  
Commissioner Eric Colvin  
Commissioner Michael Hewitt  
Commissioner Todd Morgan  
Commissioner John O'Connor  
Dr. Rebecca Bridgett, County Administrator  
David Weiskopf, County Attorney

# **County Commissioners of Kent County\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV

# The County Commissioners of Kent County

P. THOMAS MASON  
PRESIDENT  
CHESTERTOWN, MD

RONALD H. FITHIAN  
MEMBER  
ROCK HALL, MD

ROBERT N. JACOB, JR.  
MEMBER  
WORTON, MD

R. Clayton Mitchell, Jr.  
Kent County Government Center  
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Chestertown, Maryland 21620  
TELEPHONE 410-778-4600  
E-MAIL [kentcounty@kentgov.org](mailto:kentcounty@kentgov.org)  
[www.kentcounty.com](http://www.kentcounty.com)

SHELLEY L. HELLER  
COUNTY ADMINISTRATOR

THOMAS N. YEAGER  
COUNTY ATTORNEY

February 4, 2020

The Honorable Guy Guzzone, Chair  
Budget and Taxation Committee  
3 West, Miller Office Building  
Annapolis, MD 21401

Re: **SUPPORT** Senate Bill 0397 - Sales and Use Tax and Personal Property Tax - Exemptions - Data Centers

Dear Chair Guzzone and Members of the Budget and Taxation Committee:

The County Commissioners of Kent County, Maryland fully support Senate Bill 0397. The proposed bill encourages data centers to locate in the State therefore giving Maryland a competitive place in the market for data center attraction. The industry is both environmentally friendly and provides high paying jobs. Those two factors are very desirable to rural areas, particularly Kent County, a Tier I county. Kent County's substantial investment in fiber infrastructure has positioned us to attract technology-based businesses. Additionally, businesses that follow data center locations create jobs and increase State and county tax revenues.

Please take into consideration the significant opportunities Senate Bill 0397 would create for rural areas like Kent County. For the reasons stated above, The County Commissioners of Kent County respectfully request a favorable consideration of Senate Bill 0397.

Very truly yours,

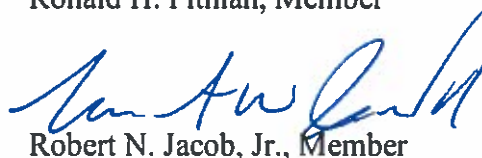
THE COUNTY COMMISSIONERS  
OF KENT COUNTY, MARYLAND



P. Thomas Mason, President



Ronald H. Fithian, Member



Robert N. Jacob, Jr., Member



The Honorable Guy Guzzone and Members of the Budget and Taxation Committee  
**SUPPORT** Senate Bill 0397 - Sales and Use Tax and Personal Property Tax - Exemptions - Data Centers  
February 4, 2020  
Page 2 of 2

cc: The Honorable Stephen S. Hershey, Jr  
The Honorable Jay A. Jacobs  
The Honorable Steven J. Arentz  
The Honorable Jefferson L. Ghrist  
Jamie Williams, Director, Economic Development

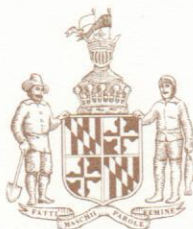
## **Eastern Shore Delegation\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV

SENATORS

MARY BETH CAROZZA  
ADDIE C. ECKARDT  
JASON C. GALLION  
STEPHEN S. HERSHEY, JR.



THE MARYLAND GENERAL ASSEMBLY  
ANNAPOLIS, MARYLAND 21401  
EASTERN SHORE DELEGATION

DELEGATES

STEVEN J. ARENTZ  
CHAIR

JOHNNY MAUTZ  
VICE CHAIR

CHRISTOPHER T. ADAMS  
TREASURER

CARL ANDERTON, JR.  
JEFFERSON L. GHRIST  
MIKE GRIFFITH  
WAYNE A. HARTMAN  
KEVIN BAILEY HORNBERGER  
JAY A. JACOBS  
CHARLES OTTO  
TERESA REILLY  
SHEREE SAMPLE-HUGHES

February 7, 2020

The Honorable Paul G. Pinsky  
Chair, Education, Health & Environmental Affairs  
Miller Office Building, 2W  
Annapolis, Maryland 21401

Re: SB 794/HB603- County Boards of Education-Establishing Regional Career and Technical Education  
Schools-Authority

Dear Chairman Pinsky and the Members of the Committee:

This is a letter of support from the Eastern Shore Delegation for SB 794/HB 603- County Boards of  
Education-Establishing Regional Career and Technical Education Schools-Authority.

Thank you for your consideration for a favorable report on this bill.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steven J. Arentz".

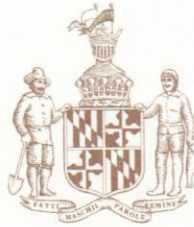
Steven J. Arentz, Chair  
Eastern Shore Delegation

cc: Maryland Chamber of Commerce



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CHARLES OTTO  
TERESA REILLY  
SHEREE SAMPLE-HUGHES

February 7, 2020

The Honorable Anne Kaiser  
Chair, Ways & Means Committee  
6 Bladen Street, Room 130  
Annapolis, Maryland 21401


Re: SB 794/HB603- County Boards of Education-Establishing Regional Career and Technical Education  
Schools-Authority

Dear Chairwoman Kaiser and Members of the Ways & Means Committee:

This is a letter of support from the Eastern Shore Delegation for SB 794/HB 603- County Boards of  
Education-Establishing Regional Career and Technical Education Schools-Authority.

Thank you for your consideration for a favorable report on this bill.

Sincerely,

  
Steven J. Arentz, Chair  
Eastern Shore Delegation

cc: Maryland Chamber of Commerce



SENATORS

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THE MARYLAND GENERAL ASSEMBLY  
ANNAPOLIS, MARYLAND 21401  
EASTERN SHORE DELEGATION

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CHARLES OTTO  
TERESA REILLY  
SHEREE SAMPLE-HUGHES

February 7, 2020

The Honorable Guy Guzzone  
Chair, Budget and Taxation  
Miller Senate Office Building, 3W  
Annapolis, Maryland 21401

Re: SB 397/HB 1339-Sales and Use Tax and Personal Property Tax-Exemptions-Data Center

Dear Chairman Guzzone and Members of the Budget and Taxation Committee:

This is a letter of support from the Eastern Shore Delegation for SB 397/HB 1339-Sales and Use Tax and Personal Property Tax-Exemptions-Data Center.

Thank you for your consideration for a favorable report on this bill.

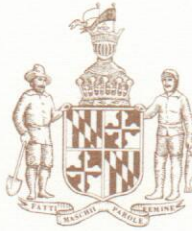
Sincerely,

  
Steven J. Arentz, Chair  
Eastern Shore Delegation

cc: Maryland Chamber of Commerce

SENATORS

MARY BETH CAROZZA  
ADDIE C. ECKARDT  
JASON C. GALLION  
STEPHEN S. HERSHEY, JR.



THE MARYLAND GENERAL ASSEMBLY  
ANNAPOLIS, MARYLAND 21401  
EASTERN SHORE DELEGATION

DELEGATES

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CHARLES OTTO  
TERESA REILLY  
SHEREE SAMPLE-HUGHES

February 7, 2020

The Honorable Anne Kaiser  
Chair, Ways & Means Committee  
6 Bladen Street, Room 130  
Annapolis, Maryland 21401

Re: SB 397/HB 1339-Sales and Use Tax and Personal Property Tax-Exemptions-Data Center

Dear Chairwoman Kaiser and Members of the Ways & Means Committee:

This is a letter of support from the Eastern Shore Delegation for SB 397/HB 1339-Sales and Use Tax and Personal Property Tax-Exemptions-Data Center.

Thank you for your consideration for a favorable report on this bill.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steven J. Arentz".

Steven J. Arentz, Chair  
Eastern Shore Delegation

cc: Maryland Chamber of Commerce

## **Frederick County Chamber\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV



February 6, 2020

The Honorable Guy Guzzone  
3 West Miller Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401

SUBJ: SB 397 – Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers

Dear Chairman Guzzone,

I write to you in advance of the scheduled bill hearing on the subject legislation. As I understand the schedule, the bill will be heard before your Committee on Wednesday, February 12, 2020.

As the President/CEO of the Frederick County Chamber of Commerce, I want to bring to your attention that Frederick County government's Office of Economic Development has developed a specific and so far effective strategy to solicit large-scale data centers and similar facilities. Our local higher education and local economic development partners are speaking with one voice when we ask for the Committee's support in consideration of this personal property tax exemption.

The competitive environment for these types of businesses is serious and real. Virginia has already established several, and seeks to develop many more. We know that when these facilities land in our communities, they have an immediate and positive impact. A typical large-scale data center can support as many as 160 jobs, \$7.8 million in annual wages, \$32 million in local spending and as much as \$1.1 million in state and local government revenue.

The 900-member organizations of the Frederick County Chamber of Commerce, representing almost 42,000 public, private and nonprofit sector workers, strongly support this bill, and urge the Committee to give it serious and favorable consideration recognizing how it will help us grow this important employment and technology sector across the State of Maryland.

Respectfully,

A handwritten signature in blue ink, appearing to read 'R. Weldon'.

Richard B. Weldon, Jr  
President & CEO

Dear Guy,  
This letter is my first  
chance to congratulate you  
on your Chairmanship! I don't  
think we'd have imagined this all  
of those years ago on the House  
floor!  
Fondly,  
Rick

## **Garrett County Dept of Econ Dev\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV



Department of Economic Development  
Garrett County Government

203 South Fourth Street, Room 208  
Oakland, Maryland 21550  
economicdevelopment@garrettcountry.org

Tel 301.334.1921  
Fax 301.334.7469

February 4, 2020

The Honorable Guy Guzzone, Chair  
Maryland State Senate  
Budget and Taxation Committee  
3 West, Miller Office Building  
Annapolis, Maryland 21401

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

Dear Senator Guzzone and Members of the Budget and Taxation Committee:

We have reviewed and fully support Senate Bill 397 being heard in the 2020 legislative session to provide an exemption from the sales and use tax for data centers.

The proposed bill encourages data centers to locate in the state of Maryland. This industry is both environmentally friendly and provides high paying jobs. This bill gives Maryland a competitive place in the market for data center attraction.

The state of Virginia passed similar legislation ten years ago and has seen an incredible increase in data centers, partially due to the sales and use tax exemption offered by the State. In Virginia, the data center sector provides up to \$9.50 in tax revenue or every dollar in expenditures. Increased state and county tax revenues and additional jobs are realized from the businesses that follow data center locations.

Thank you for your consideration.

Sincerely,

Michael E. Hough  
Director



## **GBC\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV





**TESTIMONY PRESENTED TO THE SENATE BUDGET AND TAXATION COMMITTEE**

**SENATE BILL 397 -- SALES AND USE TAX AND PERSONAL PROPERTY TAX –  
EXEMPTIONS - DATA CENTERS**

**February 12, 2020**

**DONALD C. FRY  
PRESIDENT & CEO  
GREATER BALTIMORE COMMITTEE**

**Position: Support**

Senate Bill 397 provides a sales and use tax exemption for the sale of qualified computer technology for data centers. The sales and use tax exemption applies to purchases of computer equipment, software, servers, routers, connections, mechanical systems, and power supply equipment. The bill applies to data centers that invest at least \$2 million in improvements or new construction and create five jobs in a Tier 1 county or data centers that invest at least \$5 million in improvements or new construction and create 10 jobs in all other jurisdictions.

Data centers, which are secure facilities that house computer and network equipment that store, process and distribute large amounts of data, are a vital part of the growing digital economy. They have a significant and measurable impact on the economy by providing jobs, wages, and taxes for State and local governments.

Senate Bill 397 would create a new incentive that makes Maryland more competitive in attracting data center businesses. This would serve to support the State's mission of being a leader in innovation and investment in cyber and information technology.

Other states have embraced the economic impact of providing incentives to attract data centers. Maryland is one of only 15 states that does not have a data center sales and use tax exemption for the purchase of data center equipment. The lack of an incentive drives data centers to consider other states when building and locating new facilities. Most recently in 2019, Illinois, Indiana, and Alabama passed data center incentive legislation to help their state attract this industry.

This bill is consistent with one of the key tenets in *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, a report published by the GBC that identifies eight core pillars for a competitive business environment and job growth:

**Strategic and effective investments in business growth.** The State must commit to substantive strategic investments, leveraged with capital assets, to nurture business and job growth. Investments should include competitive and effective tax credits, business development incentives, and tactical initiatives to nurture private investments in industry growth.

Additionally, the GBC's *2020 Legislative Priorities* state that an important priority is to "support a strong economic development infrastructure that improves the business climate, creates jobs, and cultivates entrepreneurship" and "maintain state investment in Maryland's most innovative industries...."

**For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 397.**

*The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 65-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.*

**GREATER BALTIMORE COMMITTEE**

111 South Calvert Street • Suite 1700 • Baltimore, Maryland • 21202-6180

(410) 727-2820 • [www.gbc.org](http://www.gbc.org)



## **Howard Co Econ Dev\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV

February 7<sup>th</sup>, 2020

The Honorable Guy Gizzone  
Senate Budget and Tax Committee  
3 West Miller Office Building  
11 Bladen St  
Annapolis, MD 21401

The Honorable Anne R. Kaiser  
Room 131  
House Office Building  
Annapolis, Maryland 21401

Re: Sales and Use Tax and Property Tax – Exemptions – Data Centers

This letter is in support of SB 397 Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers

Data Centers are secure facilities that house computer and network equipment which store, process, and distribute large amounts of data. Data centers are imperative to the overall operation of today's booming digital economy and rapidly growing technology sector which impacts multiple industries as result. For example, drones and sensors used by farmers to monitor their crops and soil are powered by data centers, as are gene therapies for diseases like cancer.

As 35 states currently provide data centers with sales-and-use tax exemptions for the purchase of required equipment, Maryland has not responded in kind. Subsequently, in the last five years, no large-scale enterprise data center has located in a state that imposes its full sales tax burden on data center equipment.

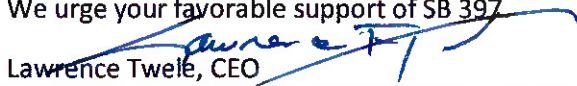
The economic impact of data centers in Maryland's economy is substantial. During construction, a typical data center employs approximately 1,700 workers, provides \$77.7 million in annual wages for those workers, injects \$243.5 million into the local economy, and generates \$9.9 million in revenue for state and local governments. Every year thereafter, the same data center will support approximately 160 jobs, pay \$7.8 million in annual wages, inject \$32.5 million into the local economy, and generate \$1.1 million in state and local revenues.

Additionally, local taxes paid by data centers support schools, law enforcement, and local public infrastructure, including the expansion of broadband. Expanding broadband throughout Maryland helps to bridge the digital divide and increase access to technology which our society increasingly depends on.

Perhaps the most dramatic impact of data centers is their inherent ability to attract small and emerging companies, thereby fueling job creation and supporting the local tax base.

SB 397 would level the playing field and attract data center business to Maryland and support the state as a leader in innovation and investment in cyber and information technology.

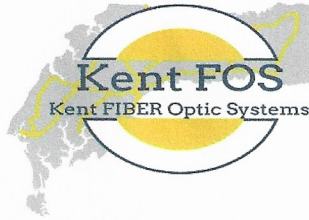
We urge your favorable support of SB 397

  
Lawrence Twele, CEO  
Howard County Economic Development Authority  
6751 Columbia Gateway Drive, Suite 500  
Columbia, MD 21046

## **Kent Fiber Optics\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV



February 6, 2020

The Honorable Stephen S. Hershey, Jr.  
420 James Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401-1991

Re: SUPPORT SB397- Sales and Use Tax and Personal Property Tax Exemption – Data Centers

Dear Senator Hershey,

Kent Fiber Optic Systems supports the Senate Bill 397 that provides for a sales and use tax exemption for certain technology equipment for use at a qualified data center.

The proposed bill supports economic growth in Maryland and will provide opportunities for job growth throughout the State, especially in rural and economically depressed areas. Maryland has never been able to compete in the attraction of Data Centers because so many other states offer huge incentives.

Virginia enacted such laws over ten years ago and they are now the Data Center Hub of the Country. Bills like this not only provide jobs in technology but they also create many other jobs from supporting trades (ie electricians, plumbers, etc. ) and all the hospitality industries that support them.

Kent Fiber Optics is in a Public/Private Partnership with Kent County, Maryland that has a 150 mile fiber backbone throughout the county that is in a great and unique position to attract Data Centers and create jobs and economic growth for the county.

Kent Fiber Optic Systems requests a favorable consideration for this bill.

Sincerely,

Dee Anna Sobczak  
CEO  
Kent Fiber Optic Systems, LLC

P.O. Box 1388  
Brooklandville, MD 21022  
(443) 215-0330

## **MD Tech Council\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV



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*

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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

## **MDCC\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV





**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.<sup>1</sup>

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

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<sup>1</sup> 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\\_datacenter rpt\\_lowres.pdf](https://www.uschamber.com/sites/default/files/ctec_datacenter rpt_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.<sup>2</sup>

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.

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<sup>2</sup> 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>



## **MEA\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV



## Maryland Energy Administration

**Larry Hogan, Governor**  
**Boyd K. Rutherford, Lt. Governor**  
**Mary Beth Tung, Director**

**TO:** Economic Matters  
**FROM:** Mary Beth Tung – Director, MEA  
**SUBJECT:** SB0397 – Sales and Use Tax and Personal Property Tax – Exemptions – Data Center  
**DATE:** February 5, 2020  
**CONTENTS:** Written Testimony in Support of

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### **MEA Position: FAVORABLE**

#### **Explanation**

Senate Bill 397 will provide an exemption from the sales and use tax for certain sales of certain qualified data center personal property for use at certain qualified data centers under certain circumstances; requiring an individual or corporation to apply to the Maryland Department of Commerce for an exemption certificate for the exemption; authorizing the governing body of a county or municipal corporation to reduce or eliminate the assessment of certain personal property used in certain qualified data centers.

#### **Justification**

MEA's Data Center Program is now in its fourth iteration since its inception in 2017. Through the first two years of the program MEA has created 4,304 jobs hours since 2017. That is about 2 Full Time Equivalent Employees. MEA is still awaiting final numbers for the 2019 program and the 2020 program is now in the application review phase. The 2020 Data Center Program Received 6 applications totaling over \$1.7 million in program ask. The 2020 Data Center Program has up to \$500,000 in program budget for FY2020. This shows a healthy demand for Data Centers in Maryland.

MEA supports the proposed legislation's exemption of sales and use tax for certain qualified data center personal property for use at certain qualified data centers. Maryland has been lagging behind neighboring states and commonwealths in attracting and developing new data centers. One reason for this has been energy costs, MEA has been actively working to address this issue and offer solutions. As such, MEA has issued grant awards to ten data centers to implement energy efficiency measures to offset higher energy costs here in Maryland. Unlike traditional industries, data centers tend to scale often and rapidly. This means equipment is purchased and replaced

multiple times during the lifecycle of the facility with computer equipment often being replaced every 18-36 months. For example, a large scale data center may need to replace \$10 million in equipment every two years, resulting in a \$600,000 sales and use tax burden.

Because of this, thirty-five other states have already enacted exemptions and abatements like the ones in this bill to attract and retain higher paying data center jobs and related economic activity. Data center construction typically employs roughly 1,700 workers, with \$77.7 million in annual wages for the workers. Data Centers can inject \$243.5 million into the local economies and generate \$9.9 million in revenue for state and local governments. Each year afterward they can support 160 local jobs, pay \$7.5 million in annual wages, inject \$32.5 million into the local economy, and generate \$1.1 million in state and local revenue.

According to a 2019 report from Virginia's Joint Legislative Audit and Review commission, data center employment has increased as data center incentives have expanded in the state. The same report asserts that each \$1,000,000 of incentives have generated 155 jobs, \$26.5 million in state GDP and \$14.6 million in personal income.

For these reasons, MEA requests you to give Senate Bill 397 a favorable report without amendments

## **NetChoice\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV



Steve DelBianco  
President, NetChoice

Barbara Comstock  
Former Congresswoman,  
Advisor to NetChoice

Testimony for

Maryland Senate  
Budget and Taxation Committee

***SB 397***

*Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers*



February 12, 2020

Chairman Guzzone and members of the committee, NetChoice<sup>1</sup> is a trade association of businesses who share the goal of making the internet safe for free enterprise and for free expression. We work to promote the integrity and availability of the global internet and are significantly engaged in issues in the states, in Washington, DC and in international internet governance organizations.

We are pleased to present at your informational meeting on *the economic development opportunities of the data center industry*. However, NetChoice members (AOL, eBay, Expedia, Facebook, Google, Twitter and many others) don't think of themselves as the "data center industry." Rather, they're the industry that enables Americans to find information, to create and connect, to buy and sell, to navigate their world, and to maintain their memories – in stored communications, docs, photos, and videos.

Data centers contain essential production equipment to deliver these services, so our members are eager to see Maryland join other states who recognize that to attract capital-intensive large data centers, it is necessary to allow the same sales tax treatment they have allowed for decades on equipment needed for other capital-intensive industries like manufacturing and agriculture.

Moreover, data centers are recession-proof, with high-paying tech jobs. Where our companies have invested in enterprise data centers, they contribute significantly to local taxes and are strong supporters of education and broadband expansion. And those investments continue, as our companies add data centers to established campuses such as this Facebook facility near Columbus, Ohio.

Facebook's initial 970,000 SF center cost \$750 million, making it the largest commercial project in the city.

Construction brought \$244 million to the local supply chain and 1,200 construction workers earned \$78 million in wages.

Across the street, Google is planning a \$600 million, 275,000



SF data center on 440 acres, setting the potential for future expansion.<sup>2</sup>

Our testimony includes the perspectives of an economic development official and a lawmaker who helped Virginia become the world's leading location for data centers.

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<sup>1</sup> NetChoice is a trade association of leading e-Commerce and online businesses, at [www.netchoice.org](http://www.netchoice.org). The views expressed here do not necessarily represent the views of every NetChoice member company.

<sup>2</sup> Columbus Business First (Apr-2019) *Facebook's New Albany data center will be much bigger than originally planned*"



## Virginia's journey to becoming the world leader for data centers

Most NetChoice members store data where Barbara and Steve live -- Northern Virginia, the world's #1 concentration of data centers. That's where these companies store your emails, documents, photos and videos of your cute kids and grandchildren. Data centers provide millions in tax revenue and thousands of jobs, serving as the backbone of Virginia's tech industry while helping diversify the state's economy.

A new study by Mangum Economics<sup>3</sup> counts these Virginia benefits attributable to data centers in 2018:

**45,290 jobs**

**\$ 3.5 Billion in labor income**

**\$10.1 Billion in economic output**

Regarding earnings for data center workers, the 2020 Virginia study found that average annual wages in the data center industry doubled to just over \$126,000 between 2001 and 2018, growing "almost twice as fast as the average private sector employee in Virginia".

In 2018, data centers made \$2.6 billion in capital investments across Virginia, supporting 4,617 jobs, \$254 million in labor income, and \$670 million in economic output in the state's construction industry.

Moreover, these data centers generate significant tax revenue for local governments. In Loudoun and Prince William Counties, the benefit-to-cost ratio for data centers is more than 8-to-1. For every dollar spent by county governments related to data centers, they realized at least \$8 in new tax revenue.

But it took a purposeful economic development approach to make this happen.

In the late 1990's, Governor Jim Gilmore appointed Steve to the board of Virginia's economic development agency (Virginia Economic Development Partnership). Virginia was keen to pursue economic development for a growing Internet industry that already had two important anchors in the Commonwealth. America Online was based in Northern Virginia. And the Metro Area Exchange (MAE-East) handled half of American's internet traffic – in a parking garage in Tysons Corner, where Steve's software business was headquartered.

But it soon became clear that AOL and MAE-East was not enough to win the most significant data center location competition of that time. In 2011, Virginia lost out to North Carolina on the construction of a billion-dollar data center that Apple was planning. What tipped the balance in favor of the Tar Heel State was an ongoing commitment to update their sales tax structure to attract data centers.

Apple's decision was a wake-up call that made it clear Virginia had to constantly update its business and tax environment in an increasingly high-stakes competition for the jobs and investments of the 21st century. That's where Virginia Delegate Barbara Comstock rose to the challenge.

In 2012, Barbara served in the Virginia General Assembly and introduced legislation to update the tax code for data centers. A bipartisan, state-wide coalition, and the leadership of the Northern Virginia Technology Council, resulted in near unanimous passage.

In 2016, the legislation was further updated and provided more certainty for data centers. These bills gained the signatures of Republican Gov. Bob McDonnell and Democratic Gov. Terry McAuliffe. All understood that data centers were the basic infrastructure for innovation, for the future, and for nurturing high-paying jobs. Virginia opened the door to billions of dollars of investments in the form of

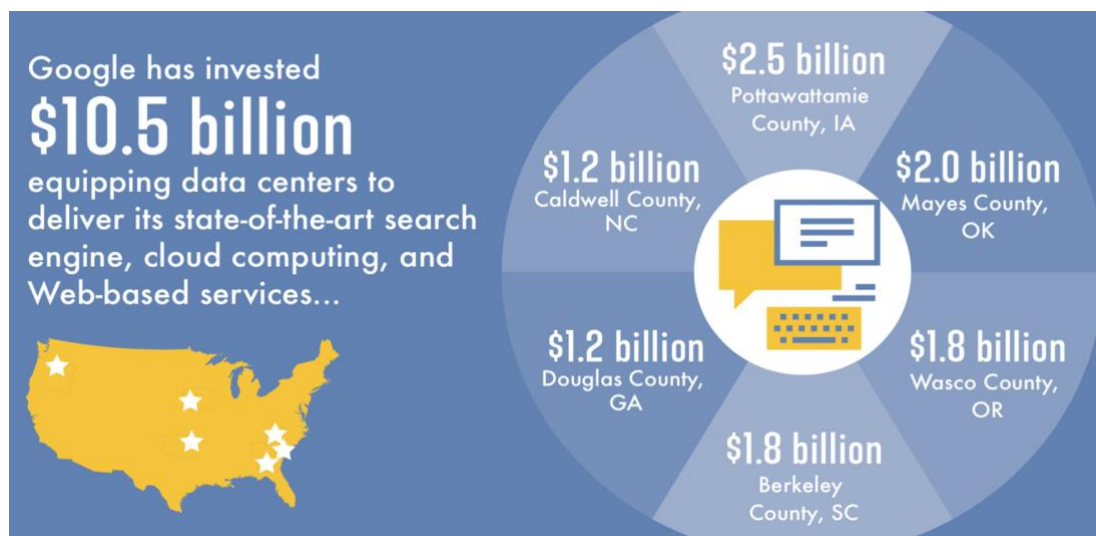
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<sup>3</sup> Jan-2020, Mangum Economics, *THE IMPACT OF DATA CENTERS ON THE STATE AND LOCAL ECONOMIES OF VIRGINIA*, at [https://www.nvta.org/NVTC/Insights/Resource\\_Library\\_Docs/2020\\_NVTC\\_Data\\_Center\\_Report.aspx?\\_zs=doEs91&\\_zl=5cbX5](https://www.nvta.org/NVTC/Insights/Resource_Library_Docs/2020_NVTC_Data_Center_Report.aspx?_zs=doEs91&_zl=5cbX5)

high-tech data processing and hosting centers, and Virginia remains the number one state for data centers—in the world. (see Annex 1 for Barbara Comstock’s Feb-2019 editorial describing the full story).

### Large-scale enterprise data centers are now in several states that established a data center sales tax exemption

The experience of Virginia has been repeated in several other states that established a data center exemption like that allowed for manufacturing and agricultural production equipment. Oxford Economics prepared this infographic to summarize its study of six Google data centers in rural and suburban counties in Iowa, Oklahoma, Oregon, South Carolina, Georgia, and North Carolina.



Oxford also studied the broader income and economic activity effects of those six Google data centers, finding \$750 million in labor income and \$1.3 billion in activity.



Google’s recent announcement that it will double its data center and office footprint in Virginia, coupled with Amazon choosing the commonwealth as its second headquarters, show that Virginia’s commitment to creating an attractive technology business climate is delivering results *and* incremental tax revenue.

## Enterprise data centers bring Incremental economic benefits and incremental tax revenue

Not only do high wages in the data center industry offer a vital new employment option, but these centers also are a driving force in the development of renewable energy resources and upgrades to utilities and internet infrastructure. Moreover, the data centers generate new income and business taxes, sales taxes on non-exempt purchases and electricity, and local property taxes.

For that reason, we encourage Maryland to adopt a “**Here vs Not here**” analysis of whether to establish a data center exemption like that allowed for manufacturing and agriculture. This recognizes the reality that over the last five years, no enterprise data center has located in states that impose their full sales tax burdens on data center server equipment.

The decision to establish a data center sales tax exemption still generates incremental tax revenue—despite the sales tax exemption on data center equipment. The first table lists several economic benefits that accrue if the Commonwealth is successful in attracting large enterprise data centers:

Incremental economic benefits of data centers	Here	Not here
Income & spending by construction workers & contractors	+	0
Income & spending by data center employees	+	0
Revenue for local suppliers, contractors, lodging, and restaurants	+	0
High-tech training and experience for workforce	+	0
Make the state more attractive for tech business and education	+	0
Diversify local economies	+	0

In 2018 alone, data centers generated more than \$250 million in local tax revenue for Loudoun county in Virginia — 85 percent of which comes from personal property taxes on data center equipment. That money supports local schools, law enforcement, and reduced tax increases on families and homeowners. Now these benefits are spreading to counties across Virginia.

This second table lists several incremental tax revenue opportunities from data center construction and operation—even after establishing a data center exemption:

Incremental tax revenue from data centers	Here	Not here
Income taxes paid by employees and contractors	+	0
Corporate income taxes from data center operators & contractors	+	0
Sales taxes on non-exempt equipment and supplies	+	0
Lodging taxes for visits by contractors and workers	+	0
Sales taxes on business services	+	0
Local real estate & personal property taxes	+	0

In June of 2019, Virginia's Joint Legislative Audit and Review Commission (JLARC) published its audit report and evaluation of Virginia's tax incentives for data centers, using confidential tax information from data center taxpayers<sup>4</sup>. JLARC concluded that 90 percent of the investment in data centers eligible for the sales tax exemption would *not* have been made in Virginia were it not for those tax exemptions. Those investments would have been made in other states that give data center equipment the same tax exemptions long given on equipment used in manufacturing and agriculture.

As Mangum concluded in its 2020 Virginia Study, "*the 'cost' of the State data center incentive is only 10 percent of the amount of State sales tax revenue exempted.*"<sup>5</sup> In fact, JLARC's analysis showed that Virginia recovered \$1.09 in state tax revenue for every dollar of sales tax that was exempted for data center equipment purchases in 2017.<sup>6</sup>

Idaho's legislative services embraced this "Here vs Not here" analysis in their Fiscal Note for a 2019 data center tax exemption bill, H 279:

*There is no fiscal impact for business entities qualifying after January 1, 2019 with investments of at least \$250 million. An investment that large could produce up to \$15 million in sales taxes. But at least 17 other states offer the sales tax exemption for server equipment, and if Idaho does not offer an equivalent exemption, these businesses will very likely locate in states other than Idaho that do provide the exemption.*

*Accordingly, there is no loss of tax revenue from businesses that would not locate in Idaho without the exemption, and there is likely an increase in revenue from taxes related to the growth these businesses would promote.*<sup>7</sup>

## States are competing to attract enterprise data centers

While Virginia made itself the largest and most active data center market in the nation, with 70 percent of the world's internet traffic flowing through the state, it's clear that the landscape for attracting and retaining data centers has changed. Unlike a decade ago when only five states had tax structures that were welcoming to data centers, today there are 31 states, as seen in the map below<sup>8</sup>:

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<sup>4</sup> Joint Legislative Audit and Review Commission (JLARC), *Data Center and Manufacturing Incentives, Economic Development Incentives Evaluation Series*. 17-Jun-2019.

<sup>5</sup> Jan-2020, Mangum Economics, *THE IMPACT OF DATA CENTERS ON THE STATE AND LOCAL ECONOMIES OF VIRGINIA*, p.24, at [https://www.nvtc.org/NVTC/Insights/Resource\\_Library\\_Docs/2020\\_NVTC\\_Data\\_Center\\_Report.aspx?zs=doEs91&zl=5cbX5](https://www.nvtc.org/NVTC/Insights/Resource_Library_Docs/2020_NVTC_Data_Center_Report.aspx?zs=doEs91&zl=5cbX5)

<sup>6</sup> JLARC Evaluation, Appendix N: Results of economic and revenue impact analysis, at [http://jlarc.virginia.gov/pdfs/oversight/ED\\_initiatives/datacenters\\_Appendix%20N.pdf](http://jlarc.virginia.gov/pdfs/oversight/ED_initiatives/datacenters_Appendix%20N.pdf)

<sup>7</sup> Mar-2019, Fiscal Note for Idaho House Bill 297, at <https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2019/legislation/H0279SOP.pdf>

<sup>8</sup> 2020 Mangum study for Virginia, page 32.



SB 379 also neglects to apply to data centers the current sales tax exemption for electricity used in manufacturing and agricultural production<sup>10</sup>. You can appreciate the importance of this exemption given that electricity represents the majority of operating expenses for a large data center.

In order for Maryland to compete with other states in attracting large enterprise data centers, we suggest the following be added to SB 379:

(E) FOR A QUALIFIED DATA CENTER THAT HAS INVESTED AT LEAST \$250,000,000 IN IMPROVEMENTS, AN EXEMPTION CERTIFICATE ISSUED BY THE COMPTROLLER UNDER THIS SECTION MAY BE RENEWED FOR UP TO 20 CONSECUTIVE YEARS AND SHALL INCLUDE AN EXEMPTION FROM STATE AND LOCAL SALES AND USE TAX ON ELECTRICITY PURCHASED AND CONSUMED BY THE QUALIFIED DATA CENTER.

In conclusion, please consider what was said by the county manager where Apple built that data center in North Carolina:

*"I highly recommend it — take 'em if you can get 'em. Otherwise, send them to us."*

*"It's our single biggest taxpayer, generating revenue to the county of almost \$1.5 million and employing 400 or 500 people."*

*It was as close to a no-brainer as you get in this business."*

Mick Berry, Manager, Catawba County, NC

We thank you for your consideration and look forward to your questions.

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<sup>10</sup> Maryland Form SUT206, Exemption Certification for Utilities or Fuel Used in Production Activities, at [https://www.marylandtaxes.gov/forms/current\\_forms/ST-206.pdf](https://www.marylandtaxes.gov/forms/current_forms/ST-206.pdf)



# Richmond Times-Dispatch

## Data centers keep Virginia a strong leader in the 21st-century tech economy



*By Barbara Comstock – Published Feb 26, 2019*

In 2011, Virginia lost out to North Carolina on the construction of a \$1 billion data center that Apple was planning. What tipped the balance in favor of the Tar Heel State was an ongoing commitment to update their tax structure to remain competitive in attracting this 21st-century booming business.

Up until that time, Virginia had been the leader in courting these next-generation businesses and jobs, and this wake-up call made it clear that we had to constantly update the commonwealth's business environment in an increasingly high-stakes competition for the jobs and investments of the 21st century.

In 2012, I served in the Virginia General Assembly and introduced legislation to update our tax code for data centers. A bipartisan, commonwealth-wide coalition, and the leadership of the Northern Virginia Technology Council, resulted in near unanimous passage. In 2016, Del. Tim Hugo, R-Fairfax, further updated the legislation and provided more certainty for growing data centers. These bills gained the signatures of Republican Gov. Bob McDonnell and Democratic Gov. Terry McAuliffe.

Working together, Virginia opened the door to billions of dollars of investments in the form of high-tech data processing and hosting centers, and we remain the No. 1 state for data centers. Google's recent announcement that it will double its data center and office footprint in Virginia, coupled with Amazon choosing the commonwealth as its second headquarters, show that our commitment to creating an attractive technology business climate is delivering results and revenue. Data centers are the backbone of that commitment.

Not only do the high wages in the data center industry offer a large source of state income tax revenue for our state, but these centers also are a driving force in the development of renewable energy resources, new roads, and utility and internet upgrades.

Loudoun County Economic Development Executive Director Buddy Rizer is correct when he asserts that it is not an accident that these high-tech investments are being made in Virginia. Loudoun County is the No. 1 data center market in the world — by a factor of two to three times. Virginia has made a clear choice: to support high-tech data center investments that now attract some of the most advanced technology companies and Fortune 1000 enterprises engaged in the latest in technology.

As of February 2018, the Northern Virginia Technology Council reported that the data center industry had created more than 43,000 new jobs in Virginia, contributing \$3.2 billion in labor income and over \$10 billion in economic output. In 2016 alone, the high-tech industry made \$2.6 billion in capital investments in data centers, creating more than 4,600 new jobs.

In 2018, Loudoun County welcomed more than \$5 billion in investment, and the creation of nearly 1,000 new jobs; and this year alone, data centers will generate more than \$250 million in local tax revenue for the county — 85 percent of which will come from personal property taxes on data center equipment. That is money that goes to supporting the local schools, law enforcement, and has resulted in lowering personal property tax increases on families and homeowners. Now these benefits are spreading to counties across the commonwealth.

While Virginia has made itself the largest and most active data center market in the nation, with 70 percent of the world's internet traffic flowing through our state, make no mistake: The landscape for attracting and retaining data centers has changed. Unlike a decade ago when only five states had tax structures that were welcoming to data centers, today that number has grown to 30 and the competition is fierce.

It is true that Virginia has been a leader in data centers in the past, but we have to stay vigilant to ensure our policies remain strongly competitive to retain this growing industry. Leaders in Richmond, on both sides of the aisle, are to be commended for understanding that data centers are a tremendous opportunity for the entire commonwealth and for their own communities, and that the strong bipartisan policy of Virginia has allowed us to be a technology front-runner, with the workforce to support the economy of the future.

*Barbara Comstock is a former U.S. representative from Virginia's 10th District; she also served from 2010–14 in the Virginia House of Delegates, where she was chairwoman of the Science and Technology Committee. She is an adviser to NetChoice, and may be contacted at [Barbara@comstockstrategy.com](mailto:Barbara@comstockstrategy.com).*



## **Salisbury Chamber\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV



February 9, 2020

Senator Stephen S. Hershey, Jr.  
James Senate Office Building  
11 Bladen Street, Room 420  
Annapolis, MD 21401

Dear Senator Hershey,

On behalf of the seven – hundred businesses and organizations representing the Salisbury Area Chamber of Commerce, we are united in our support of SB 397 and HB 1339, which provides a Sale-and-use tax exemption for the sale of qualified computer technology to include computer equipment, for us at a qualified data center in Maryland. SB 397 and HB 1339 can make Maryland competitive with our neighbors and attract data center businesses to our state. Data center generate significant local tax revenues in addition to important employment centers, in particular in areas of our State that need job growth. In Virginia for example, in several jurisdictions every dollar spent in county expenditures related to this industry brought in more than \$8 in tax revenue. Maryland must provide this tax incentive in order to capture our share of this lucrative business sector.

Our member businesses and organizations represent more than 50,000 employees on the shore. We strongly urge the General Assembly to pass these bills and give Maryland another vital tool to broaden our business and employment base.

Sincerely,

William R. Chambers  
President / CEO  
Salisbury Area Chamber of Commerce  
144 East Main Street  
Salisbury, Maryland 21801  
[bchambers@salisburyarea.com](mailto:bchambers@salisburyarea.com)  
410-749-0144  
FAX 410-860-9925  
[www.salisburyarea.com](http://www.salisburyarea.com)

**SALISBURY AREA  
CHAMBER OF  
COMMERCE**

144 EAST MAIN ST.

P.O. Box 510

SALISBURY  
MARYLAND  
21803-0510

TELEPHONE:  
410-749-0144

FAX:  
410-860-9925

**ACCREDITED BY  
THE CHAMBER OF  
COMMERCE OF THE  
UNITED STATES  
SINCE 1966**

**THE VOICE FOR BUSINESS ON DELMARVA**

**[www.salisburyarea.com](http://www.salisburyarea.com)**

## **Somerset County Econ Dev\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV

**Somerset County  
Economic Development Commission**

11916 Somerset Avenue, Suite 202  
Princess Anne, Maryland 21853  
www.somersetcountyedc.org



Daniel K. Thompson  
Executive Director

Telephone: 410.651.0500  
Fax: 410.651.3836  
Email: edc@somersetmd.us

February 10, 2020

The Honorable Guy Guzzone, Chair  
Budget and Taxation Committee  
3 West Mill Senate Office Building  
Annapolis, MD 21401

Re: Letter of Support- Senate Bill 0397 - Sales and Use Tax and Personal Property Tax - Exemptions – Data Centers

Dear Chair Guzzone and Members of the Budget and Taxation Committee:

On behalf of the Somerset County Economic Development Commission, I want to express our support for Senate Bill 0397 – Sales and Use Tax and Personal Property Tax - Exemptions – Data Centers.

Proposed Senate Bill 0397 encourages data centers to locate in the State of Maryland. This will give Maryland the opportunity to compete in the market for data centers. The industry is both environmentally friendly and provides high paying jobs. Those two factors are very desirable for rural areas.

The average salary of data center employees is \$110,000, which is considerably higher than the average salaries earned in most counties on the Eastern Shore of Maryland. Adding 10 or 20 of these jobs in our rural communities would have a significant impact on our median household income.

Data Center attraction has allowed Virginia to reduce property taxes while increasing services to citizens. Increased state and county tax revenues and additional jobs are realized from the businesses that follow data center locations.

Please take into consideration the significant opportunities Senate Bill 0397 would create for the State of Maryland, and rural areas. For these reasons, we respectfully request a favorable consideration of Senate Bill 0397. We look forward to working with the General Assembly and the Administration to support any proposed legislation that would greatly benefit entire State of Maryland and Somerset County.

Sincerely,

Daniel K. Thompson  
Executive Director

cc: The Honorable Stephen S. Hershey, Jr.



## **Think Big Networks\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV





February 6, 2020

The Honorable Stephen S. Hershey, Jr.  
420 James Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401-1991

Re: SUPPORT SB397- Sales and Use Tax and Personal Property Tax Exemption – Data Centers

Dear Senator Hershey,

ThinkBig Networks, LLC supports the Senate Bill 397 that provides for a sales and use tax exemption for certain technology equipment for use at a qualified data center.

The proposed bill supports economic growth in Maryland and will provide opportunities for job growth throughout the State, especially in rural and economically depressed areas. Maryland has never been able to compete in the attraction of Data Centers because so many other states offer huge incentives.

Virginia enacted such laws over ten years ago and they are now the Data Center Hub of the Country. Bills like this not only provide jobs in technology but they also create many other jobs from supporting trades (ie electricians, plumbers, etc. ) and all the hospitality industries that support them.

ThinkBig Networks is an internet service provider that is currently providing services in rural areas and opportunities zones in Baltimore City. These areas are in a unique position to attract Data Centers if the sales tax laws were competitive with other states. The passing of this bill could help bring economic and job growth to areas that are currently economically depressed.

ThinkBig Networks, LLC requests a favorable consideration for this bill.

Sincerely,

  
Mark Wagner  
CEO  
ThinkBig Networks, LLC

## **Upper Shore Regional Council\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV

## Executive Board

Bob Meffley  
Chair  
Cecil County  
Councilman

Chris Corchiarino  
1<sup>st</sup> Vice Chair  
Queen Anne's County  
Councilman

Tom Mason  
2<sup>nd</sup> Vice Chair  
Kent County  
Commissioner

Jackie Gregory  
3<sup>rd</sup> Vice Chair  
Cecil County  
Councilwoman

Jack Wilson  
Secretary  
Queen Anne's County  
Councilman

Ron Fithian  
Treasurer  
Kent County  
Commissioner

Stephen S. Hershey  
Senator, District 36  
Maryland General  
Assembly

Susan O'Neill  
Executive Director  
[soneill@kentgov.org](mailto:soneill@kentgov.org)

February 10, 2020

The Honorable Guy Guzzone  
3 West Miller Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401

RE: LOS SB 397 – Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers

Dear Senator Guzzone:

Upper Shore Regional Council fully supports SB397 providing an exemption from the sales and use tax for certain qualified computer technology equipment for use at a qualified data center.

The proposed bill encourages data centers to locate in the state of Maryland. This industry is both environmentally friendly and provides high paying jobs that are especially needed in the rural areas of Maryland, preferably, the eastern shore.

Virginia passed similar legislation eleven years ago and has seen an incredible increase in data centers during that time, partially due to the sales and use tax exemptions offered by the State. SB 397 would level the playing field and attract data center business to Maryland, and support the state as a leader in innovation and investment in cyber and information technology. Records show that increased state and county tax revenues and additional jobs are realized from the businesses that follow data center locations.

The eastern shore, and the state of Maryland are open for business. The attraction of technology based businesses is a priority. We respectfully request favorable consideration of SB397.

Sincerely,



Susan O'Neill  
Executive Director

Cc: Bob Meffley, Chair  
Tom Mason, Commissioner, Kent County  
Jamie Williams, Director, Kent County Economic Development Office  
Shelley Heller, County Administrator, Kent County



## **Washington County Dept of Econ Dev\_FAV\_SB 397**

Uploaded by: duckman, ashley

Position: FAV



February 4, 2020

The Honorable Guy Guzzone, Chair  
Budget and Taxation Committee  
3 West, Miller Office Building  
Annapolis, MD 21401

**Re:** Support for Senate Bill 397 - *Sales and Use Tax and Personal Property Tax - Exemptions*  
- *Data Centers*

Dear Senator Guzzone and Members of the Budget and Taxation Committee:

The Washington County Department of Business Development has reviewed and fully support ***Senate Bill 397*** being heard during the 2020 legislative session to provide an exemption from the sales and use tax for data centers.

The proposed bill encourages data centers to locate in the State of Maryland. Not only is this industry environmentally friendly, but it provides high paying jobs for our communities. ***Senate Bill 397*** gives Maryland a competitive place in the market for data center attraction.

The State of Virginia passed similar legislation ten years ago and has seen an incredible increase in data center development, partially due to the *Sales and Use Tax* exemption offered by the State. In Virginia the data center sector provides up to \$9.50 in tax revenue or every dollar in expenditures. Increased state and county tax revenues and additional jobs are realized from the businesses that follow data center locations.

Your consideration is greatly appreciated and welcomed as we all welcome an opportunity to attract and market Maryland as a business-friendly State!

Sincerely,

A handwritten signature in dark ink, appearing to read 'Jonathan Horowitz'.

Jonathan Horowitz, Business Leader

cc: Susan Small, Director

## **GBC\_FAV\_SB397**

Uploaded by: Fry, Donald

Position: FAV



**TESTIMONY PRESENTED TO THE SENATE BUDGET AND TAXATION COMMITTEE**

**SENATE BILL 397 -- SALES AND USE TAX AND PERSONAL PROPERTY TAX –  
EXEMPTIONS - DATA CENTERS**

**February 12, 2020**

**DONALD C. FRY  
PRESIDENT & CEO  
GREATER BALTIMORE COMMITTEE**

**Position: Support**

Senate Bill 397 provides a sales and use tax exemption for the sale of qualified computer technology for data centers. The sales and use tax exemption applies to purchases of computer equipment, software, servers, routers, connections, mechanical systems, and power supply equipment. The bill applies to data centers that invest at least \$2 million in improvements or new construction and create five jobs in a Tier 1 county or data centers that invest at least \$5 million in improvements or new construction and create 10 jobs in all other jurisdictions.

Data centers, which are secure facilities that house computer and network equipment that store, process and distribute large amounts of data, are a vital part of the growing digital economy. They have a significant and measurable impact on the economy by providing jobs, wages, and taxes for State and local governments.

Senate Bill 397 would create a new incentive that makes Maryland more competitive in attracting data center businesses. This would serve to support the State's mission of being a leader in innovation and investment in cyber and information technology.

Other states have embraced the economic impact of providing incentives to attract data centers. Maryland is one of only 15 states that does not have a data center sales and use tax exemption for the purchase of data center equipment. The lack of an incentive drives data centers to consider other states when building and locating new facilities. Most recently in 2019, Illinois, Indiana, and Alabama passed data center incentive legislation to help their state attract this industry.

This bill is consistent with one of the key tenets in *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, a report published by the GBC that identifies eight core pillars for a competitive business environment and job growth:

**Strategic and effective investments in business growth.** The State must commit to substantive strategic investments, leveraged with capital assets, to nurture business and job growth. Investments should include competitive and effective tax credits, business development incentives, and tactical initiatives to nurture private investments in industry growth.

Additionally, the GBC's *2020 Legislative Priorities* state that an important priority is to "support a strong economic development infrastructure that improves the business climate, creates jobs, and cultivates entrepreneurship" and "maintain state investment in Maryland's most innovative industries...."

**For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 397.**

*The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 65-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.*

**GREATER BALTIMORE COMMITTEE**

111 South Calvert Street • Suite 1700 • Baltimore, Maryland • 21202-6180

(410) 727-2820 • [www.gbc.org](http://www.gbc.org)

## **SB397 FAV in BandT 2020-02-12**

Uploaded by: Grealy, Anne

Position: FAV

Lucas I. Cade  
Sr Economic Development  
Advisor  
10802 Bower Avenue  
Williamsport, MD 21795  
301.582.5235  
[lcade@firstenergycorp.com](mailto:lcade@firstenergycorp.com)

Anne M. Grealy  
Senior Advisor, Government &  
Regulatory Affairs  
68 State Circle  
Annapolis, MD 21401  
410.310.2544  
[agrealy@firstenergycorp.com](mailto:agrealy@firstenergycorp.com)

**SB 397 – Sales and Use Tax and Personal Property Tax – Exemptions – Data Centers**

To provide an exemption from the sales and use tax for sales of qualified data center personal property for use at qualified data centers.

**Senate Budget & Taxation Committee**

**Scheduled for hearing on 12 February 2020**

**Favorable**

Potomac Edison, a subsidiary of FirstEnergy Corp., serves about 270,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery and Washington Counties). FirstEnergy is dedicated to safety, reliability and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, West Virginia, Maryland and New York.

**FirstEnergy requests a Favorable report on SB 397 for the following reasons.**

Senate Bill (“SB”) 397 proposes an exemption of the sales and use tax for qualified data center personal property – including computer equipment, software, HVAC and mechanical systems, and equipment necessary for the generation, transformation, transmission, distribution, or management of electricity. Counties designated as Tier 1 (currently including Garrett, Allegany and Washington) could offer these exemptions at lower capital investment thresholds. (Tier 1 counties have the highest sustained unemployment rates when compared to state averages.) This legislation would enable Maryland to be competitive with the other states in the mid-Atlantic that already have incentives for data center operations. Further, data center’s consume high levels of electricity (often dual fed for reliability), and Potomac Edison’s transmission and sub-transmission system is well-suited to accommodate this targeted industry that generates high paying jobs and millions of dollars in personal income and capital investment.

For these reasons, FirstEnergy respectfully requests a **favorable report** on SB 397.

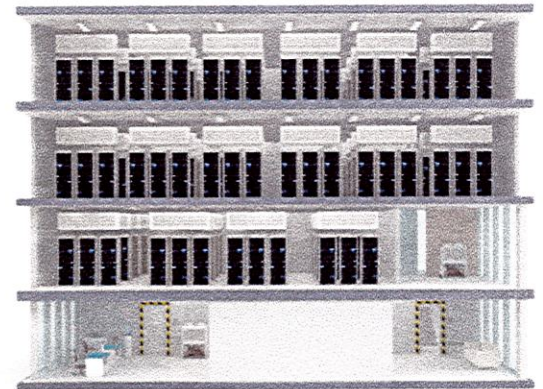


# Data Centers:

## An Economic Opportunity for Maryland

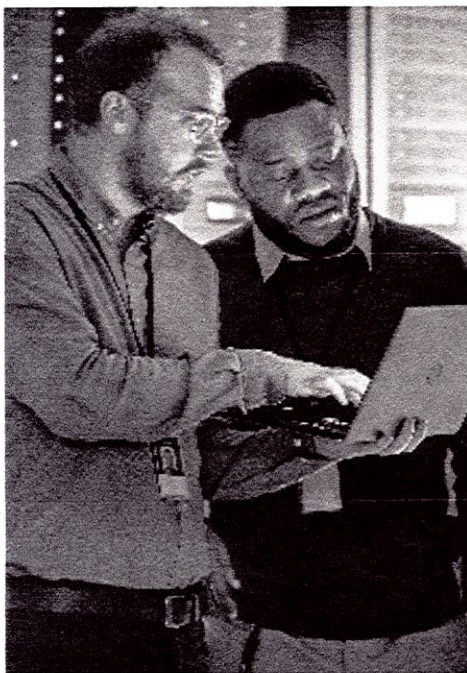
### What are data centers?

Data centers are secure facilities that house computer and network equipment that store, process and distribute large amounts of data. ***Data centers are considered the foundation of today's booming digital economy and rapidly growing technology sector.*** For example, drones and sensors used by farmers to monitor their crops and soil are powered by data centers, as are gene therapies for diseases like cancer.



### How do data centers impact the economy?

The economic impact—both direct and indirect—of data centers is substantial. During construction, a typical data center:



- Employs roughly **1,700** workers
- Provides **\$77.7 million** in annual wages for those workers
- Injects **\$243.5 million** into the local economy
- Generates **\$9.9 million** in revenue for state and local governments

### Every year thereafter, the same data center:

- Supports roughly **160 local jobs**
- Pays **\$7.8 million** in annual wages
- Injects **\$32.5 million** into the local economy
- Generates **\$1.1 million** in state and local revenue\*

In addition, local taxes paid by data centers support schools, law enforcement and local public infrastructure, including the expansion of broadband.

\*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\\_datacenterrrpt\\_lowres.pdf](https://www.uschamber.com/sites/default/files/ctec_datacenterrrpt_lowres.pdf)



## How many states provide tax incentives to data centers, and what impact is it having?

Today, 35 states provide data centers with sales-and-use tax exemptions for the purchases of required equipment. ***In fact, in the last five years, no large-scale enterprise data center has located in a state that imposes its full sales tax burden on data center equipment.***<sup>1</sup>

Our neighbors in Virginia have benefited significantly from the positive tax treatment of qualified data centers. According to a 2019 report from Virginia's Joint Legislative Audit and Review Commission, data center employment and investment have increased as data center incentives have expanded in the state. The same report asserts that 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.***<sup>2</sup>

### According to a recent report prepared by Mangum Economics:

- Over the last five years, data centers in VA have experienced employment and wage growth that's four times the statewide, private-sector average.
- Data centers generate significant local tax revenue. In two VA counties, for example, every dollar spent in county expenditures related to the industry brought in more than \$8 in tax revenue.<sup>3</sup>

However, Virginia is running out of space and companies are looking to its neighbors to determine where to expand. ***Maryland must provide tax incentives to data centers in order to distinguish itself from its neighbors and attract data center business to the state.***

## What does Maryland Senate Bill 397 do?

**SB 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, etc.—for use at a qualified data center.

**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
- Invest at least \$5 million in improvements or new construction and create 10 jobs in all other jurisdictions

***SB 397 would level the playing field and attract data center business to Maryland and support the state as a leader in innovation and investment in cyber and information technology.***

<sup>1</sup> NetChoice, [www.netchoice.org](http://www.netchoice.org)

<sup>2</sup> "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>

<sup>3</sup> "The Economic and Fiscal Contribution that Data Centers Make to Virginia 2018," Mangum Economics, February 5, 2018, <https://www.mangumeconomics.com/news?offset=1525456928771>



## **County Commissioners of Kent County\_FAV\_SB 397**

Uploaded by: jacob, commissioner bob

Position: FAV

# The County Commissioners of Kent County

P. THOMAS MASON  
PRESIDENT  
CHESTERTOWN, MD

RONALD H. FITHIAN  
MEMBER  
ROCK HALL, MD

ROBERT N. JACOB, JR.  
MEMBER  
WORTON, MD

R. Clayton Mitchell, Jr.  
Kent County Government Center  
400 High Street  
Chestertown, Maryland 21620  
TELEPHONE 410-778-4600  
E-MAIL [kentcounty@kentgov.org](mailto:kentcounty@kentgov.org)  
[www.kentcounty.com](http://www.kentcounty.com)

SHELLEY L. HELLER  
COUNTY ADMINISTRATOR

THOMAS N. YEAGER  
COUNTY ATTORNEY

February 4, 2020

The Honorable Guy Guzzone, Chair  
Budget and Taxation Committee  
3 West, Miller Office Building  
Annapolis, MD 21401

Re: **SUPPORT** Senate Bill 0397 - Sales and Use Tax and Personal Property Tax - Exemptions - Data Centers

Dear Chair Guzzone and Members of the Budget and Taxation Committee:

The County Commissioners of Kent County, Maryland fully support Senate Bill 0397. The proposed bill encourages data centers to locate in the State therefore giving Maryland a competitive place in the market for data center attraction. The industry is both environmentally friendly and provides high paying jobs. Those two factors are very desirable to rural areas, particularly Kent County, a Tier I county. Kent County's substantial investment in fiber infrastructure has positioned us to attract technology-based businesses. Additionally, businesses that follow data center locations create jobs and increase State and county tax revenues.

Please take into consideration the significant opportunities Senate Bill 0397 would create for rural areas like Kent County. For the reasons stated above, The County Commissioners of Kent County respectfully request a favorable consideration of Senate Bill 0397.

Very truly yours,

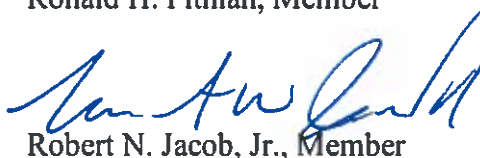
THE COUNTY COMMISSIONERS  
OF KENT COUNTY, MARYLAND



P. Thomas Mason, President



Ronald H. Fithian, Member



Robert N. Jacob, Jr., Member



The Honorable Guy Guzzone and Members of the Budget and Taxation Committee  
**SUPPORT** Senate Bill 0397 - Sales and Use Tax and Personal Property Tax - Exemptions - Data Centers  
February 4, 2020  
Page 2 of 2

cc: The Honorable Stephen S. Hershey, Jr  
The Honorable Jay A. Jacobs  
The Honorable Steven J. Arentz  
The Honorable Jefferson L. Ghrist  
Jamie Williams, Director, Economic Development

## **MEA\_FAV\_SB 397**

Uploaded by: sanderson, michael

Position: FAV



## Maryland Energy Administration

**Larry Hogan, Governor**  
**Boyd K. Rutherford, Lt. Governor**  
**Mary Beth Tung, Director**

**TO:** Economic Matters  
**FROM:** Mary Beth Tung – Director, MEA  
**SUBJECT:** SB0397 – Sales and Use Tax and Personal Property Tax – Exemptions – Data Center  
**DATE:** February 5, 2020  
**CONTENTS:** Written Testimony in Support of

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### **MEA Position: FAVORABLE**

#### **Explanation**

Senate Bill 397 will provide an exemption from the sales and use tax for certain sales of certain qualified data center personal property for use at certain qualified data centers under certain circumstances; requiring an individual or corporation to apply to the Maryland Department of Commerce for an exemption certificate for the exemption; authorizing the governing body of a county or municipal corporation to reduce or eliminate the assessment of certain personal property used in certain qualified data centers.

#### **Justification**

MEA's Data Center Program is now in its fourth iteration since its inception in 2017. Through the first two years of the program MEA has created 4,304 jobs hours since 2017. That is about 2 Full Time Equivalent Employees. MEA is still awaiting final numbers for the 2019 program and the 2020 program is now in the application review phase. The 2020 Data Center Program Received 6 applications totaling over \$1.7 million in program ask. The 2020 Data Center Program has up to \$500,000 in program budget for FY2020. This shows a healthy demand for Data Centers in Maryland.

MEA supports the proposed legislation's exemption of sales and use tax for certain qualified data center personal property for use at certain qualified data centers. Maryland has been lagging behind neighboring states and commonwealths in attracting and developing new data centers. One reason for this has been energy costs, MEA has been actively working to address this issue and offer solutions. As such, MEA has issued grant awards to ten data centers to implement energy efficiency measures to offset higher energy costs here in Maryland. Unlike traditional industries, data centers tend to scale often and rapidly. This means equipment is purchased and replaced

multiple times during the lifecycle of the facility with computer equipment often being replaced every 18-36 months. For example, a large scale data center may need to replace \$10 million in equipment every two years, resulting in a \$600,000 sales and use tax burden.

Because of this, thirty-five other states have already enacted exemptions and abatements like the ones in this bill to attract and retain higher paying data center jobs and related economic activity. Data center construction typically employs roughly 1,700 workers, with \$77.7 million in annual wages for the workers. Data Centers can inject \$243.5 million into the local economies and generate \$9.9 million in revenue for state and local governments. Each year afterward they can support 160 local jobs, pay \$7.5 million in annual wages, inject \$32.5 million into the local economy, and generate \$1.1 million in state and local revenue.

According to a 2019 report from Virginia's Joint Legislative Audit and Review commission, data center employment has increased as data center incentives have expanded in the state. The same report asserts that each \$1,000,000 of incentives have generated 155 jobs, \$26.5 million in state GDP and \$14.6 million in personal income.

For these reasons, MEA requests you to give Senate Bill 397 a favorable report without amendments

## **MACo\_FAV\_SB397**

Uploaded by: Sanderson, Michael

Position: FAV



## Senate Bill 397

### *Sales and Use Tax and Personal Property Tax - Exemptions - Data Centers*

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: February 12, 2020

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 397. This bill enables tax incentives to increase Maryland's competitiveness as a host of data centers. It authorizes local governments to reduce or eliminate assessments for their personal property, and provides a sales and use tax exemption for the sale of specified equipment for use at these facilities.

MACo generally supports legislation that provides local authority to enact tax incentives for economic development and tax relief purposes, and welcomes the opportunity to work with state policymakers to develop flexible and optional tools to create broad or targeted tax incentives. Counties prefer the approach offered by SB 397 as it provides local autonomy to determine the best way to provide these incentives, rather than those mandating reductions in local revenue sources.

The technology sector is driving tremendous demands for more computing and storage capacity. Data centers – the facilities that house the computers and equipment that power the information needs of the modern economy – are in high demand. Local governments, just as the State, have a vested interest in economic development. Local economic growth creates jobs and increases salaries, expanding the tax base both locally and statewide.

Furthermore, the clustering of data centers, related businesses, and skilled workers may lead to additional infrastructure investments, including the expansion of high-speed internet service to underserved areas of the state.

This bill properly leaves the decision for reducing or eliminating assessments for qualified personal property with local governments, who are best situated to determine whether such a policy fits with community needs and workforce goals.

SB 397 ensures local governments have flexibility in enacting local policies designed to serve and react to community needs. Accordingly, MACo urges the Committee to issue a **FAVORABLE** report on SB 397.



# **Maryland Department of Commerce\_FAV\_SB397**

Uploaded by: Schultz, Secretary Kelly

Position: FAV



Larry Hogan | Governor  
Boyd Rutherford | Lt. Governor  
Kelly M. Schulz | Secretary of Commerce

**DATE:** February 12, 2020      **COMMITTEE:** Senate Budget & Taxation  
**BILL NO:** Senate Bill 397  
**BILL TITLE:** Sales and Use Tax and Personal Property Tax –Exemptions – Data Centers  
**POSITION:** Support

The Maryland Department of Commerce (Commerce) supports Senate Bill 397 – Sales and Use and Personal Property Tax – Exemptions – Data Centers.

**Bill Summary:**

Senate Bill 397 creates tax incentives for a data center to invest in a facility in the State. The primary incentive is an exemption of the Sales & Use Tax for purchases of equipment for data center. The exemption lasts for a period of ten years. To receive the exemption, applicants must create at least five new jobs and invest at least \$5 million in qualified equipment (\$2 million if the project is in a Tier 1 county or an Opportunity Zone). The tax exemption is administered by the Department of Commerce.

A second feature of the bill authorizes counties and municipalities to reduce or eliminate qualified data center equipment from the Business Personal Property Tax. Many counties have this tax, although some do not.

**Background:**

There are generally two types of stand-alone data center operations. The first includes a facility operated by a corporate entity to host their own data. A Maryland example of this is T. Rowe Price's data center located in Washington County. The second is a facility operated by a third party to host others' data. Examples of these include Byte Grid's Silver Spring center, and Amazon Web Services' (AWS) cloud hosting centers in Northern Virginia. Employment and capital expenditure vary across both of these types of data centers, but the most sought after are those such as AWS, which are most often, configured as multi-building campuses. As an example, a recent business attraction opportunity required about 50 acres upon which the operator would build 3-5 buildings, each consisting of 35-40 employees with average salary of \$80,000. Capital costs were approximately \$200 million, with nearly 75% of that being servers, cooling systems and energy management.

Data Centers are significantly impacted by sales and use taxes not only at time of initial construction, but also when the computing technology needs to be updated. These updates happen rapidly and are costly. Equipment is purchased and replaced multiple times during the lifecycle of the facility. Computing equipment is replaced every 2-5 years. For example, a data center may replace \$20 million in equipment every 24 months.

**Rationale:**

Commerce supports Senate Bill 397 to make Maryland competitive in attracting a significant portion of the Data Center industry. An example of this is Google's announcement last year that they will be investing a total of \$13B in new data centers or the expansion of existing data centers in seven states. All seven states, Nebraska, Nevada, Ohio, Texas, Oklahoma, South Carolina, and Virginia offer industry specific tax incentives, of which several offer a sales tax exemption on equipment. Many companies will not consider a region without a sales tax exemption. Jurisdictions exempting the business personal property from taxation are also attractive locations.

Data centers represent extremely large investments for businesses. Many states now offer tax incentives specifically tailored to data centers in order to compete for projects. Incentives in other states typically include an exemption of the state Sales & Use Tax. Eligibility requirements include job creation, capital investment and above-average wage rates.

Data centers are increasingly seen as a positive form of infrastructure that help support other forms of business investment. Businesses seeking fast connections to data centers consider proximity to data centers as a positive attribute when considering where to locate.

Maryland can be attractive for "secondary" data centers. With the world's largest concentration of data centers in Northern Virginia, Maryland's proximity to "primary" data centers in Virginia is a selling point for locating a secondary data center. The secondary data center provides the primary data center with advantages of redundancy and scale.

A report from the US Chamber of Commerce shows a large data center (30 MW plus of energy usage) can add \$32.5 million in economic activity and an additional \$9.9 million in revenue for both local and state governments during the construction phase. During construction, an average of over 1,600 local workers earn a total of \$77.7 million in wages. Current average annual salary for Maryland Data Centers is approximately \$105,000.

This bill provides a foundation for Maryland counties to build upon. Commerce looks forward to working with interested counties in attracting new businesses and jobs to the State.

**Commerce respectfully requests a favorable report on Senate Bill 397.**

## **Senator Hershey\_FAV\_SB397**

Uploaded by: Senator Hershey, Senator Hershey

Position: FAV



STEPHEN S. HERSHEY, JR.

*Legislative District 36*  
Caroline, Cecil, Kent, and  
Queen Anne's Counties

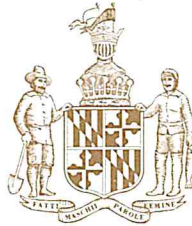
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MINORITY WHIP

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Finance Committee

Executive Nominations Committee



James Senate Office Building  
11 Bladen Street, Room 420  
Annapolis, Maryland 21401  
410-841-3639 • 301-858-3639  
800-492-7122 Ext. 3639  
Fax 410-841-3762 • 301-858-3762  
Steve.Hershey@senate.state.md.us

*The Senate of Maryland*  
ANNAPOLIS, MARYLAND 21401

February 12, 2020

The Honorable Guy Guzzone  
Budget and Taxation Committee  
Senate Bill – 397 – Sales and Use Tax and Personal Property Tax – Exemptions- Data Centers

Dear Chairman and Members of the Committee:

Senate Bill 397 creates incentives for the investment of data centers in Maryland by providing a sales and use tax exemption for the sale of qualified data center personal property for use at a qualified data center; giving an attractive competitive advantage in the market for data centers to relocate and expand. There are 30 states that have incentives specifically targeted at attracting data centers, including all of Maryland's neighboring States, this has increased from 17 states a couple of years ago.

To be eligible for the exemption, a corporation must invest at least \$5.0 Million in qualified data center personal property and must create at least 5 jobs within 3 years. For Economically Depressed Tier 1 Counties, they must invest at least \$2.0 Million and create 5 new jobs. Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Washington, Wicomico and Worcester are all considered Tier 1 Counties.

The jobs created with data centers are stable, high-paying jobs. For example, every job in a data center creates two jobs in companies that serve those data centers. These are jobs in engineering, technology services, software development, and operations. According to the Northern Virginia Technology Council, these jobs are paying on average twice the private-sector wages in Virginia.

Senate Bill 397 is supported by the Kent County Commissioners and Kent County Economic Development, The Eastern Shore Delegation, Maryland Department of Commerce, Maryland Energy Administration, MACo and many other letters of support that you have in your file.

I request the committee's favorable consideration of Senate Bill 397.

## **MD Tech Council\_FAV\_SB 397**

Uploaded by: silva, jason

Position: FAV



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*

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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

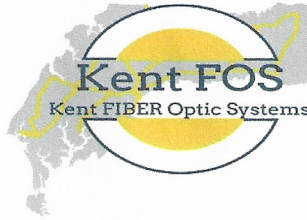
410-244-7000



## **Kent Fiber Optics\_FAV\_SB 397**

Uploaded by: Sobczak, DeAnna

Position: FAV



February 6, 2020

The Honorable Stephen S. Hershey, Jr.  
420 James Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401-1991

Re: SUPPORT SB397- Sales and Use Tax and Personal Property Tax Exemption – Data Centers

Dear Senator Hershey,

Kent Fiber Optic Systems supports the Senate Bill 397 that provides for a sales and use tax exemption for certain technology equipment for use at a qualified data center.

The proposed bill supports economic growth in Maryland and will provide opportunities for job growth throughout the State, especially in rural and economically depressed areas. Maryland has never been able to compete in the attraction of Data Centers because so many other states offer huge incentives.

Virginia enacted such laws over ten years ago and they are now the Data Center Hub of the Country. Bills like this not only provide jobs in technology but they also create many other jobs from supporting trades (ie electricians, plumbers, etc. ) and all the hospitality industries that support them.

Kent Fiber Optics is in a Public/Private Partnership with Kent County, Maryland that has a 150 mile fiber backbone throughout the county that is in a great and unique position to attract Data Centers and create jobs and economic growth for the county.

Kent Fiber Optic Systems requests a favorable consideration for this bill.

Sincerely,

Dee Anna Sobczak  
CEO  
Kent Fiber Optic Systems, LLC

P.O. Box 1388  
Brooklandville, MD 21022  
(443) 215-0330

## **SB397\_SWANSON\_FAV**

Uploaded by: Swanson, Tricia

Position: FAV



*To Lead, Advocate and Connect as the Voice of Business*

**Senate Bill 397 - Sales and Use Tax and Personal Property Tax - Exemptions - Data Centers**

Budget and Taxation Committee

February 12, 2020

**SUPPORT**

Senate Bill 397 provides a sales-and-use tax exemption for the sale of computer technology for use at a qualified data center.

A February 26th, 2019 article in the Washington Business Journal highlighted the economic benefits of data centers in Loudoun County, Virginia and the surrounding region. More specifically, as it relates to data center incentives, every \$1 million of incentive generated 155 jobs, \$26.5 million in state GDP and \$14.6 million in personal income. Further, over the last dozen years, the commercial portion of Loudoun's tax base has grown from 19 percent to 34 percent, largely due to data center growth. The real estate tax rate is down 20 cents per \$100 of assessed value over the past six years and Loudoun County received about \$250 million in 2019 alone from data center-related taxes.

Senate Bill 397 will level the playing field with neighboring states, attract data center business to Maryland, and support the state as a leader in innovation and investment in cyber and IT.

For the aforementioned reasons, **the Chamber supports Senate Bill 397 and respectfully urges a favorable report.**

*The Montgomery County Chamber of Commerce (MCCC) accelerates the success of our nearly 500 members by advocating for increased business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and is proud to be a Montgomery County Green Certified Business.*

## **Choptank\_FAV\_SB 397**

Uploaded by: teffeau, matt

Position: FAV



P.O. BOX 430, Denton, MD 21629  
Toll-Free: 1-877-892-0001  
Z\_info@choptankelectric.coop  
www.choptankelectric.coop

February 12, 2020

The Honorable Guy Guzzone  
3 West Miller Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401

Re: ***Support- SB 397 – Sales and Use Tax and Personal Property Tax – Exemptions – Data Center***

Dear Chairman Guzzone and Members of the Committee:

Founded in 1938, Choptank Electric Cooperative is a not-for-profit organization that exists to provide reliable and cost effective electricity. This service improves the quality of life for our 54,350 member-owners.

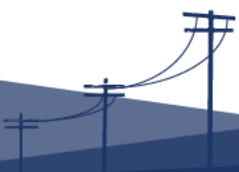
As a cooperative, Choptank Electric maintains a deep commitment to the communities it serves, which covers about two-thirds of Maryland's Eastern Shore. Economic development, especially in our rural areas is necessary in providing additional resources to our schools, communities, and improving the livelihood of everyone.

SB 397 seeks to bring economic vitality and spark growth for data centers to locate in the state of Maryland. Cooperatives throughout the country, including Choptank, have key account specialist staff who work closely with state and county economic development departments. Choptank is committed to using all available resources to build strong partnerships and opportunities for data center businesses to locate here in Maryland.

Choptank Electric and its member-owners ask you to support SB 397 and encourage economic growth throughout the state of Maryland.

Sincerely,

Matt Tefteau  
Manager, Government Affairs  
Choptank Electric Cooperative



Members First. Every Day.

## **Mid-Shore Regional Council - Support - SB397**

Uploaded by: Warner, Scott

Position: FAV

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**TESTIMONY**  
**MID-SHORE REGIONAL COUNCIL**

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**TO:** SENATOR GUY GUZZONE, CHAIR  
**COMMITTEE:** SENATE BUDGET AND TAXATION  
**FROM:** MID-SHORE REGIONAL COUNCIL  
**SUBJECT:** SB 397 SALES AND USE TAX AND PROPERTY TAX – EXEMPTIONS  
– DATA CENTERS  
**POSITION:** SUPPORT  
**DATE:** FEBRUARY 12, 2020

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Dear Mr. Chairman and Committee Members:

The Mid-Shore Regional Council (MSRC) operates as a cooperative regional planning and development agency within Caroline, Dorchester, and Talbot Counties on the Eastern Shore to foster physical, economic, and social development.

The MSRC is a United States Department of Commerce – Economic Development Administration (EDA) designated Economic Development District (EDD) – a geographic area distressed by per capita income and/or unemployment rate as defined by the federal government. As such the MSRC facilitates the Mid Shore Comprehensive Economic Development Strategy (CEDS).

Broadband connectivity has been a high priority since the CEDS inception in 2002. The current CEDS document (revised March 7, 2019) Goal 1 states, “Ensure that there is sufficient public infrastructure (e.g. telecommunications, IT, incubators, waste water treatment capability, roads, transportation, education facilities, technology training centers, and public parks) and investment capital to foster the development and prosperity of our existing and new industry clusters.” For this reason, the MSRC has been an avid supporter of building fiber optic backbones throughout the state and has been instrumental in the support and development of the Maryland Broadband Cooperative. With the availability of such infrastructure, the MSRC hopes the counties and municipalities of the state could attract data centers to locate in Maryland. Data centers are considered the foundation of the digital economy while providing high wage, stable jobs.

However, it is our understanding that to compete in attracting data centers Maryland must provide tax incentives. Neighboring states have been attracting data centers for several years and one of the primary economic tools in supporting the establishment of such businesses has been tax incentives.

The MSRC supports the sales tax exemptions as detailed in this bill. The Council looks forward to a favorable report by the Senate Budget and Taxation Committee on Senate Bill 397.



## **KCED\_FAV\_397**

Uploaded by: williams, jamie

Position: FAV

# *Kent County Economic Development Commission*

*400 High Street  
Chestertown, MD 21620*

February 5, 2020

The Honorable Guy Guzzone, Chair  
Budget and Taxation Committee  
3 West Mill Senate Office Building  
Annapolis, MD 21401

Re: **SUPPORT** Senate Bill 0397 - Sales and Use Tax and Personal Property Tax - Exemptions  
– Data Centers

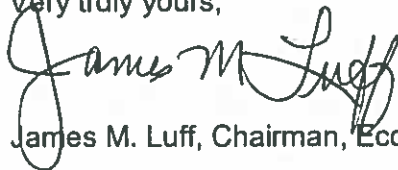
Dear Chair Guzzone and Members of the Budget and Taxation Committee:

The Kent County Economic Development Commission fully supports Senate Bill 0397. The proposed bill encourages data centers to locate in the State of Maryland. This will give Maryland the opportunity to compete in the market for data centers. The industry is both environmentally friendly and provides high paying jobs. Those two factors are very desirable for rural areas, particularly Kent County, which is a Tier I county.

Kent County's substantial investment in fiber infrastructure has positioned us to attract technology-based businesses. In addition, businesses that follow data center locations will create jobs and increase state and county tax revenues.

Please take into consideration the significant opportunities Senate Bill 0397 would create for the State of Maryland, and rural areas like Kent County. For these reasons, The Kent County Economic Development Commission respectfully requests a favorable consideration of Senate Bill 0397.

Very truly yours,



James M. Luff, Chairman, Economic Development Commission

Cc: Jamie Williams CECD, Director Economic Development  
Kent County Commissioners  
The Honorable Stephen S. Hershey, Jr.  
The Honorable Jay A. Jacobs  
The Honorable Steven J. Arentz  
The Honorable Jeffery Ghrist