



February 10, 2026

The Honorable Jheanelle K. Wilkins, Chair
House Ways and Means Committee
130 Taylor House Office Building
Annapolis, Maryland 21401

Unfavorable: HB 560 – Sales and Property Tax – Data Center Exemption - Repeal

Dear Chair, Wilkins, and Committee Members:

The NAIOP Maryland Chapters represent approximately seven hundred companies involved in all aspects of commercial, industrial, and mixed-use real estate. On behalf of our member companies, I am writing to request your unfavorable report on HB 560.

This bill would repeal existing sales and use tax and property tax exemptions available to qualified data centers. Eliminating these incentives dismantles a carefully structured framework designed to keep the state competitive with others that continue to offer robust data center tax benefits. The current exemption program requires substantial capital investment and the creation of jobs paying at least 150% of the state minimum wage—positions that are both stable and high-quality. Our opposition is based, in part, on the following rationale:

- **Abrupt repeal impacts existing data centers – causes reputational damage.** HB 560's repeal of these tax incentives will not only affect future investment, but it will also directly impact existing data centers that made long-term business and operational decisions based on the tax structure currently in law. Many established facilities entered the Maryland market with multi-year investment plans, financing models, and customer-pricing commitments that relied on the stability of these tax incentives. A retroactive policy shift of this nature sends a destabilizing message to any industry considering major capital investment in Maryland.
- **Lack of distinction between data center size masks financial impacts.** HB 560 applies to all data centers without regard to size, scale, or economic impact. Under the bill, a small-scale data operation housed within an office building is treated the same as a hyperscale facility requiring hundreds of millions of dollars in infrastructure. This one-size-fits-all approach makes it easy to underestimate the potential financial impact the repeal of tax incentives may have on existing small and medium sized data centers.
- **Implementation of the Large-Load Tariff and consumer cost-protection measures are underway.** Maryland's utilities and regulators are currently considering high volume tariffs, cost-allocation structures, and long-term planning agreements designed specifically to ensure that existing residential, commercial, and small-business customers are not financially impacted by data center loads. These reforms will help protect ratepayers and provide utilities with a clearer path for planning large-load growth.
- **Once the Large-Load Tariff is adopted, HB 560 would leave Maryland without the tools to compete for new data center investment.** As these new consumer cost-protection measures take effect, the tax incentives for data centers become even more important. The exemptions help offset the substantial upfront investment required for high-capacity facilities while utilities work to ensure cost fairness for existing customers. In many ways, the incentives and the emerging tariffs will work together, protecting ratepayers while enabling Maryland to compete for major economic-development projects.

Repealing these incentives at the same time the new cost-allocation frameworks are being developed would leave Maryland with fewer tools to remain competitive during a period of transition. Neighboring states are strengthening—and in some cases expanding—their own data-center incentives. Maintaining Maryland’s existing tax framework is essential if the state hopes to keep pace and continue attracting investment in this critical sector.

For these reasons, NAIOP respectfully requests your unfavorable report on HB 560.

Sincerely,



Tom Ballentine, Vice President for Policy

NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Ways and Means Committee Members

Nick Manis – Manis, Canning Assoc.