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**Testimony of Greg LeRoy
Executive Director, Good Jobs First
to the Maryland General Assembly
House of Delegates Ways and Means Committee
Regarding HB 560
February 12, 2026**

Madame Chair Wilkins and members of the Committee, thank you for the opportunity to testify in strong support of HB 560, a proposal to repeal Maryland's sales and use tax exemption for data centers.

My name is Greg LeRoy; I reside and vote in Montgomery County, Maryland. I direct Good Jobs First, a non-profit, non-partisan research organization, which I founded in 1998. We are the nation's leading watchdog group on economic development incentives. We have published extensively on data center incentives since 2016.

My main message today is that Maryland cannot afford to subsidize data centers and the internet giants building the data centers do not need our state's subsidies.

In just the past three years, state revenue losses to data center sales and use tax exemptions have soared at astronomical rates:

Georgia just revealed that its losses in 2026 will total \$2.5 billion. It also projects that its losses next year will reach \$3 billion. Its estimate for last year was \$296 million, which is to say it now believes its 2026 losses will exceed 2025's by more than eight times and its 2027 losses will be ten times last year's.

Virginia recently posted its 2025 losses at \$1.6 billion. Just one month prior, its estimated annual loss for last year was \$1 billion. As recently as 2022, Virginia's reported losses were far lower: \$136 million. That is, Virginia's losses have multiplied by more than 12 times in three years. That is an extremely unsustainable trajectory.

Texas's latest estimate is \$1 billion, but that number was a revision from \$130 million made just 23 months earlier — i.e., a spike of more than seven times in two years.

Why are states losing control of their data center spending? There are two reasons.

First: states enacted their sales and use tax exemptions for data centers when a typical data center was far smaller and less expensive than today's "hyperscale" artificial intelligence-driven data centers. So states' fiscal notes of yesteryear do not confirm to today's reality.

Second: the industry's growth rate has sharply accelerated because of the race by several companies to win the race to dominate the AI industry. Four companies alone spent an estimated \$360 billion last year on AI infrastructure, mostly data centers. And the same four companies have announced plans for even larger capital expenditure budgets this year. That doesn't count spending by private equity, real estate investment trusts, colocation developers, and others.

I would also point out that Maryland is one of 13 states that currently fails to disclose even one aggregate dollar figure for how much revenue it loses to data centers sales and use tax exemptions. Given the alarming trajectory of known losses in other states, that is an egregious omission. We are flying blind when it comes to data center revenue losses.

Those losses are both absolute and net. States are losing huge shares of these tax expenditures. An academic study commissioned by Georgia estimates it loses 91 cents on the dollar. Virginia's Joint Legislative Audit and Review Commission reports that for every dollar lost to the data center sales tax exemption, the state loses 52 cents. The Washington State Joint Legislative Audit and Review Committee found data center projects paying \$22 million in property taxes while the state was losing \$57 million in sales tax.

Instead of subsidizing data centers, Maryland (and all other states) should be charging data center companies extra fees, akin to severance taxes imposed on extractive industries, to offset the harms data centers are creating to consumer electricity rates, renewable energy portfolio standards, air quality, land use, water tables, and community noise levels.

Maryland (and all other states) should also be requiring Community Benefits Plans for all data center projects that include: prevailing construction wages for both the building and maintenance phases; participation in state-certified construction trades apprenticeship programs; first source local hiring agreements; job quality standards attached to the permanent operating jobs; additional community notification requirements for 90 days' advance full disclosure of project details; state of the art pollution-emissions control systems; and banning the use of non-disclosure agreements (NDAs) in data center projects.

AI is happening. Data centers will be built. But they must not be allowed by the state to treat communities as roadkill. Again: Maryland cannot afford to subsidize data centers and the internet giants building the data centers do not need our state's subsidies.

Thank you and I welcome your questions.