



**Committee: Ways and Means**

**Testimony on: HB0560- Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal**

**Organization: Maryland Legislative Coalition Climate Justice Wing**

**Submitting: Dave Arndt, Co-Chair**

**Position: Favorable**

**Hearing Date: February 12, 2026**

Dear Chair Wilkins and Committee Members:

Thank you for allowing our testimony today in support of HB0560 – The Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal. The Maryland Legislative Coalition Climate Justice Wing, a statewide coalition of nearly 30 grassroots and professional organizations, urges you to vote favorably on HB0560.

Currently, Maryland subsidizes data center development by exempting qualified data centers from the State sales and use tax and authorizing local governments to eliminate or reduce business personal property taxes that would otherwise be applicable. These tax exemptions were enacted in 2020 before the sharp growth of hyperscale data centers. Today, the availability of power, water, and land – [not tax exemptions](#)<sup>i</sup> – are the real drivers for locating data centers. In the three-year period from 2021 to 2025, these exemptions have cost Maryland almost \$22.2 million (Dept. of Commerce) in lost revenue.

Currently, only three counties – Anne Arundel, Howard, and Prince George's – have exercised their authority to exempt data centers from personal property taxes. This bill would repeal both tax exemptions.

Thirty-two states<sup>ii</sup> currently subsidize data centers through tax exemptions. As the public becomes better informed about the climate, environmental, health, and ratepayer impacts<sup>iii</sup> associated with data centers, a growing number of states that offer subsidies to data centers are [questioning the advisability of offering tax exemptions](#).<sup>iv v vi</sup>

[Working families across the country](#)<sup>vii</sup> are grappling with the noise, light pollution, and toxic emissions associated with data centers. Electricity costs in some data center-dense areas have surged by over 250% in just five years. In the PJM region — the world's largest power market — capacity auction prices spiked 800% in 2024, in large part due to data center growth. That year, consumers across seven PJM states paid \$4.3 billion more in electricity costs to cover deployment of new transmission infrastructure to serve data centers.

Given these and other impacts, Maryland should avoid offering data centers [blanket tax breaks](#)<sup>viii</sup>, property tax abatements<sup>ix</sup> or other revenue giveaways that enable unchecked growth and shift costs to consumers. Instead, [incentives](#)<sup>x</sup> should be conditioned on data center commitments to minimize ratepayer impacts, meet clean energy and other sustainability benchmarks, undertake community benefit projects, hire locally, and invest in local workforce development training.

These current tax exemptions are further exacerbating the current structural budget deficit. Passage of this bill will help to ensure data centers pay their fair share and protect taxpayers from hidden, growing revenue losses.

Finally, in the 2025 Legislative session, Maryland approved a data center study to fully understand the financial impacts of data center development, including tax exemptions. Before the State forgoes additional State revenue, it should determine if the costs are warranted.

For all these reasons, we urge this Committee to give HB0560 a FAVORABLE report.

350MoCo

Adat Shalom Climate Action

Cedar Lane Unitarian Universalist Church Environmental Justice Ministry

Chesapeake Earth Holders

Chesapeake Physicians for Social Responsibility

Climate Parents of Prince George's

Climate Reality Project

ClimateXChange

Coming Clean Network, Union of Concerned Scientists

DoTheMostGood Montgomery County

Echotopia

Elders Climate Action

Fix Maryland Rail

Glen Echo Heights Mobilization

Greenbelt Climate Action Network

HoCoClimateAction

IndivisibleHoCoMD

Maryland Legislative Coalition

Maryland Third Act

Mizrahi Family Charitable Fund

Mobilize Frederick

Montgomery County Faith Alliance for Climate Solutions

Montgomery Countryside Alliance

Mountain Maryland Movement

Nuclear Information & Resource Service

Progressive Maryland

Safe & Healthy Playing Fields  
Takoma Park Mobilization Environment Committee  
The Climate Mobilization MoCo Chapter  
Unitarian Universalist Legislative Ministry of Maryland

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<sup>i</sup> “I can’t think of a site selection or placement decision that was decided on a set of tax incentives,” said Bo Williams, the executive responsible for Microsoft’s data centers in North America., New York Times, Dec. 25, 2024, <https://www.nytimes.com/2024/12/25/technology/ai-data-centers-electricians.html?searchResultPosition=1>

<sup>ii</sup> Cloudy with a Loss of Spending Control: How Data Centers Are Endangering State Budgets, Good Jobs First, April 2025, <https://goodjobsfirst.org/cloudy-with-a-loss-of-spending-control-how-data-centers-are-endangering-state-budgets/>

<sup>iii</sup> *States Rethink Data Centers as ‘Electricity Hogs’ Stain the Grid*, Ct, Mirror, May 2, 2024, <https://ctmirror.org/2024/05/02/data-center-electricity-ct/>.

<sup>iv</sup> See, e.g., *Michigan Lawmakers Introduce Bill to Repeal Data Center Tax Incentives*, Inside Climate News, December 16, 2025, <https://insideclimatenews.org/news/16122025/michigan-lawmakers-introduce-bill-to-repeal-data-center-tax-incentives/>;

<sup>v</sup> Data Centers Won Billions in Tax Breaks, Some States are Balking, Bloomberg News, January 13, 2026, <https://news.bloombergtax.com/daily-tax-report-state/data-centers-won-billions-in-tax-breaks-some-states-are-balking?context=search&index=2>

<sup>vi</sup> It’s a Money Loser: Tax Breaks for data Centers are Under Fire, Bloomberg News, May 9, 2024, <https://www.bloomberg.com/news/articles/2024-05-09/ai-boom-has-some-states-rethinking-subsidies-for-data-centers>

<sup>vii</sup> The High Cost of AI How Data Centers Are Reshaping Pennsylvania’s Energy Landscape, Feb. 2026, Clean Energy Group, <https://www.cleangroup.org/wp-content/uploads/PA-Data-Centers-Report.pdf>

<sup>viii</sup> Data Centers: Key Reforms for State Subsidy Legislation, Good Jobs First, Sep. 23, 2025, <https://goodjobsfirst.org/data-centers-best-reforms-for-state-subsidy-legislation/>

<sup>ix</sup> Tax Abatements: The Basics, National Housing Conference, <https://nhc.org/policy-guide/tax-abatements-the-basics/>

<sup>x</sup> Study: AI and data centers could drive cost of energy up by 70% over 10 years, The Center Square, Nov. 21, 2024, [https://www.thecentersquare.com/virginia/article\\_368b645e-a86e-11ef-8825-772ecfdea4b2.html](https://www.thecentersquare.com/virginia/article_368b645e-a86e-11ef-8825-772ecfdea4b2.html)