

HB560 Repeal tax exemptions data centers.pdf

Uploaded by: Andrea Wilson

Position: FAV

Repeal the sales and use tax and property tax exemptions for data centers. Why are we giving them a pass from paying taxes break the average person has to pay taxes? Data centers will not create jobs and the owners will make trillions of dollars.

Vote in favor of repealing the sales and use tax and property tax exemptions for data centers.

Andrea Wilson

St. Mary's County resident

HB0560 Favorable - Ann Scharpf.PDF

Uploaded by: Ann SCHARPF

Position: FAV

HB560
FAVORABLE

As a constituent from Calvert County, I am writing in support of this legislation repeal all exemptions from the sales and use tax for any sales of personal property for use at certain qualified data centers. I also support repealing the authorization for a governing body of a county or municipal corporation to reduce or eliminate the assessment of certain personal property used in any data centers.

I do not support the building of data centers in our state. If they are built, I do not believe Maryland taxpayers should, in any way, be reducing the cost of the transaction by shouldering the tax burden that should be paid by the builder of the data center. I did not believe the tax benefits of data centers will offset the costs to Maryland citizens.

Please support this legislation to repeal this exemption.

Respectfully,

Ann Scharpf
Huntingtown, MD

HB560 Testimony.pdf

Uploaded by: Brandon Russell

Position: FAV

Chair Wilkins, Vice Chair Feldmark, and Distinguished Members of the Committee,

My name is Brandon Russell, and I am a resident of Maryland. I am writing in **support of HB560** - Repeal of Sales and Use Tax and Property Tax Exemptions for Data Centers.

Data centers are primarily responsible for the increased stress on the PJM electric network, driving up costs for ratepayers. Marylanders have been pushing back against this type of development across the state, urging lawmakers to protect not only our wallets but the environment and local infrastructure.

If data center developers want to build in Maryland, they not only need to provide their own energy, they need to benefit the community. Excluding data centers from paying sales and use tax and property tax decreases that benefit.

I urge a favorable report on HB560.

Thank you for your time and consideration.

Brandon Russell
Leonardtown, MD
brandon4stmarys@gmail.com

HB 560 Testimony FAV - Repealing Data Center Tax B

Uploaded by: Cynthia Miller

Position: FAV

HB0560- FAVORABLE

Cynthia Miller

Third Act Maryland

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301.785.0369

HB0560- Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal

Ways and Means Committee

February 12, 2026

Chair Wilkins, Vice Chair Feldmark and Members of the Ways and Means Committee,

On behalf of Third Act Maryland, I urge a favorable report on HB0560, Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal.

Third Act Maryland is an organization dedicated to environmental sustainability, clean energy and safeguarding our planet and democracy. With over 1,000 activist members across the state, we are committed to sustainable development and are deeply concerned over the environmental damage that Data Center development can produce, to the detriment of local communities and our state. We strongly support HB0560, because this bill protects taxpayers and ratepayers from subsidies and hidden costs to build data centers. 32 states have passed similar tax break laws and are feeling repercussions on their state budgets.

Maryland has the opportunity now to better plan for data centers that best protect communities and taxpayers. Third Act Maryland urges a favorable report for this bill.

Respectfully,

Cynthia Miller - D27C, Third Act Maryland Co-facilitator

HB0560- Sales and Use Tax and Property Tax - Exemp

Uploaded by: Dave Arndt

Position: FAV



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](#)ⁱ – 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 statesⁱⁱ currently subsidize data centers through tax exemptions. As the public becomes better informed about the climate, environmental, health, and ratepayer impactsⁱⁱⁱ associated with data centers, a growing number of states that offer subsidies to data centers are [questioning the advisability of offering tax exemptions](#).^{iv v vi}

[Working families across the country](#)^{vii} 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](#)^{viii}, property tax abatements^{ix} or other revenue giveaways that enable unchecked growth and shift costs to consumers. Instead, [incentives](#)^x 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

ⁱ “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>

ⁱⁱ 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/>

ⁱⁱⁱ *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/>.

^{iv} 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/>;

^v 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>

^{vi} 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>

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

^{viii} 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/>

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

^x 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

Data Center Sales & Use Tax Testimony DAC.pdf

Uploaded by: Debbie Cohn

Position: FAV

Committee: Ways and Means
Testimony on: HB0560- Sales and Use Tax and Property Tax - Exemptions for Data Centers
Submitting: Deborah A. Cohn
Position: Favorable
Hearing Date: February 12, 2026

Dear Chair Wilkins and Committee Members:

As a state resident and taxpayer, I thank the Ways and Means Committee for considering my testimony in support of HB0560 – Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal.

Maryland currently 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 apply. These tax exemptions were enacted in 2020. Between 2021 and 2025, these exemptions have cost Maryland almost \$22.2 million in foregone revenue. This State and its political subdivisions suffer from budgets so tight that government struggles to accomplish its goals and address the needs of our business and individual residents. Maryland has a structural deficit. One means to deal with these tight budgets and address the structural deficit is to grow the economy with strategic investments that take advantage of existing strengths. Another is to eliminate unnecessary tax expenditures, in this case, these sales and use and property tax subsidies for data centers.

In the last few years we have gained a better appreciation that the factors driving the location of data centers are the availability of power, water, and land rather than tax exemptions. Certainly, any business seeks a lower tax burden. But for data centers these other factors are much more compelling. Absent these tax incentives, would high tech data center users be uninterested in data center buildings in Maryland? If not, then these subsidies are wasteful, unjustified and bad public policy.¹ In raising these questions, this Committee and the Maryland General Assembly would not be alone.^{2 3 4}

In 2025, Maryland approved a data center study to understand more completely 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.

Accordingly, I urge this Committee to give HB0560 a FAVORABLE report.

¹ Tax Abatements: The Basics, National Housing Conference, <https://nhc.org/policy-guide/tax-abatements-the-basics/>

² 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/>;

³ 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>

⁴ 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>

Written testimony.pdf

Uploaded by: Diana Colangelo

Position: FAV

I'm writing in favor of HB560, which would repeal the [Sales and Use Tax and Property Tax Exemptions](#) that incentivize data center development without conditions to protect the environment or our communities.

As someone who used to work for a municipal economic development office, I saw first-hand how cities fall all over themselves time and time again to accommodate big businesses with tax breaks in exchange for the promise of jobs and increased revenue. I also saw first-hand how this never works out and ends up costing cities tremendously – not simply in the form of lost revenue, but in huge environmental costs that impact the health and well-being of communities and our planet, job creation numbers that always fall far short of estimates, and failed businesses that up and leave when things don't work out for them, without cleaning up the mess they leave behind (and sticking taxpayers with those additional costs in the process).

We have seen over and over again that lost revenues in the case of data center tax breaks are significantly higher than estimates.

In Illinois, it was estimated that the lost revenue from a similar tax break would cost the state \$10M. The actual cost is \$370M. In Texas, they estimated that the state would lose \$150M. The actual cost is \$1B. ([Source](#))

And in Virginia, a similar story: [Virginia Tax Revenue Losses to Data Centers Soar to \\$1.6 Billion for FY25](#)

We should not even be allowing data center development at all without properly studying the adverse environmental and community impacts (which will be difficult if not impossible to recover from at all if we follow this runaway-train mentality and allow data center developers to do whatever they want).

But we should certainly, *at the very bare minimum*, be requiring these behemoths run by multi-billionaires to pay their fair share of taxes. Data centers will set us back decades in terms of environmental goals, and they should pay every penny of their fair share of taxes to help communities recover from the barrage of negative impacts these facilities will have.

The impacts of data centers are clear even without studies. We already know they are massive consumers of water, energy, and other precious resources. They destroy habitat and pollute our air and water.

Please stop with the corporate welfare for multi-billionaires at the expense of Maryland residents and our environment, and make these businesses pay their taxes!! Please do your duty to Maryland residents and pass HB560.

HB560.pdf

Uploaded by: Grace Russo

Position: FAV

HB560

I am in favor of Bill HB560 because I think that data center development is extremely bad for my community. My electricity bill has doubled and they need to start paying their fair share for the electricity they use. Furthermore, the proliferation of data centers threatens to literally cut my community in half with high voltage power lines, which I believe have negative effects on human health. I think data centers should be built next to power generating stations and that they should pay for their electricity and their taxes at the very least. I think the true environmental cost has not yet even been adequately studied nor the public educated about it.

Testimony Maryland HB 560 Data Center Tax Exemptio

Uploaded by: Greg LeRoy

Position: FAV



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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.

HB0560 - Data Center - Repeal Tax Exempt - FAV-HoC

Uploaded by: HoCo Climate Action Organization

Position: FAV



HoCoClimateAction.org
Howard County, Maryland

Testimony: [HB0560](#) – Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal
Hearing Date: Feb. 12, 2026
Bill Sponsor: Delegate Palakovich Carr
Committee: Ways and Means
Submitting: Liz Feighner for Howard County Climate Action
Position: Favorable

Dear Chair Wilkins, Vice Chair Feldmark and Committee Members,

[HoCo Climate Action](#) is a [350.org](#) local chapter and a grassroots organization representing approximately 1,400 subscribers. We are also a member of the [Climate Justice Wing](#) of the [Maryland Legislative Coalition](#). Our organization works with residents and ally organizations to promote a safe climate and clean energy future. Specifically, we have worked extensively on building electrification to help Maryland achieve its ambitious climate goals, including net-zero emissions.

As Maryland families continue to be burdened by ever increasing utility rates, HoCo Climate Action supports legislation that protects taxpayers and ratepayers. We urge you to vote favorably on **HB0560 – Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal**, which would repeal state authorization for local governments to enact sales and use and property tax exemptions for data centers. This authorization was enacted in 2020 and currently Anne Arundel, Howard, and Prince George's have exercised their authority to exempt data centers from personal property taxes. We are particularly concerned that Howard County is losing revenue that would otherwise be used for providing more services to residents .

Giving tax breaks to the richest companies building data centers when state and local budgets are plagued by deficits makes for bad policy when siting of a data center is determined by finding power, land and labor and not [tax breaks](#). “Four of the largest tech companies spent more than \$200 billion in the last year on capital expenses, largely to build new data centers. They’re expected to spend just as much or more next year. “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.”

According to the Maryland Department of Commerce, since 2021, the state has provided more than \$22.2M in tax relief from the Sales and Use Tax Exemptions program, administered by the Comptroller of Maryland. Currently, there is no reporting on the economic impacts and gains resulting from this program that supports the build out of data centers. These tax breaks come at the cost of our \$1.5B budget deficit. We urge this committee to reassess tax laws that prioritize business profits over people and working families. Data centers should pay their fair share and lawmakers should protect Marylanders from hidden, growing revenue losses.

Electricity costs in some data center-dense areas have surged by over 250% in just five years. In 2024, 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, tax exemptions should be repealed and instead, [incentives](#) 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.

For these reasons, we support **HB0560** and recommend a **favorable** report.

Howard County Climate Action
Submitted by Liz Feighner, Steering and Advocacy Committee
www.HoCoClimateAction.org
HoCoClimateAction@gmail.com

HB 560 - Favorable - JCavanaugh.pdf

Uploaded by: Jean Cavanaugh

Position: FAV

Testimony on House Bill – Favorable
HB 560 – Sales and Use Tax and Property Tax - Exemptions for Data Centers
- Repeal

House Ways & Means Committee

February 10, 2026

Dear Honorable Chair Wilkins, Vice Chair Feldmark, and Members of the Committee,

My name is Jean Cavanaugh and I am a resident of Frederick, Maryland, State legislative district 4. **I am writing in support of HB 560 – Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal.**

The current tax exemptions in effect incentivize data center development without conditions to protect the environment or our communities. Other states with data center tax exemptions have literally lost hundreds of millions of dollars in revenue due to false claims by data center lobbyists that states would be receiving other revenue from their development.

Data centers are super lucrative for developers and artificial intelligence corporations. Let's make sure some of that revenue comes back to the communities bearing the worst impacts of data centers - air and water pollution, diminishment of water supplies, increase in energy prices, constant noise and vibration from backup generators, and electric utility power lines ruining treasured rural landscapes.

Thank you,
Jean Cavanaugh
Frederick, MD

Data Centers Endangering State Budgets.pdf

Uploaded by: Julie Palakovich Carr

Position: FAV

Cloudy With a Loss of Spending Control:

How Data Centers Are Endangering State Budgets



**GOOD
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APRIL 2025

Cloudy With a Loss of Spending Control:

How Data Centers Are
Endangering State Budgets

by
Greg LeRoy and Kasia Tarczynska



April 2025
Good Jobs First
Washington, DC
www.goodjobsfirst.org

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Cover photo: An aerial view of a data center in Ashburn, Virginia. Credit: Gerville via iStock.

EXECUTIVE SUMMARY

At least 10 states already lose more than \$100 million per year in tax revenue to data centers, the cloud-computing warehouses that were proliferating before artificial intelligence greatly accelerated their growth.

The industry’s high-velocity growth, combined with the virtually automatic structure of the state tax exemptions, is preventing states from making accurate cost projections. For example, in the space of just 23 months, Texas revised its FY 2025 cost projection from \$130 million to \$1 billion. Virginia, Texas, and Illinois have each recorded revenue-loss spikes of more than 1,000% in recent years.

The loss of state spending control is surely worse than we can yet document. That’s because of the 32 states with tax incentives to data centers, 12 fail to disclose even aggregate revenue losses, much less company-specific subsidies as is common in economic development. Those 12 “dark” states include Indiana, North Carolina, and Utah, all of which have substantial and/or growing data center investments.

As the end users of building materials, machinery, and equipment, data center companies would normally pay sales and use taxes. States, however, exempt those purchases, making these exemptions the costliest state subsidies for data centers. Because server farms are extremely capital intensive and require replacement of servers every two to five years when they wear out, these exemptions are lucrative for companies and costly for states and localities.

Some states are apparently failing to comply with a Generally Accepted Accounting Practices

standard that requires annual disclosure of revenues lost to tax abatement programs such as data center tax exemptions.

We know of no other form of state spending that is so out of control. Therefore, we recommend that states cancel their data center tax exemptions. Such subsidies are absolutely unnecessary for an extremely profitable industry dominated by some of the most valuable corporations on earth, such as Amazon, Microsoft, Apple, Meta (the owner of Facebook and Instagram), and Alphabet (owner of Google).

Note: While data center companies receive subsidies from both state *and local* governments, this report looks only at state-level programs specifically crafted for the industry. And while data centers have a big impact on electricity and water consumption, air quality, land use, and the quality of life in hosting communities, this report focuses only on the costs of state-based data center subsidies.

DATA CENTER SUBSIDIES: SALES AND USE TAX EXEMPTIONS

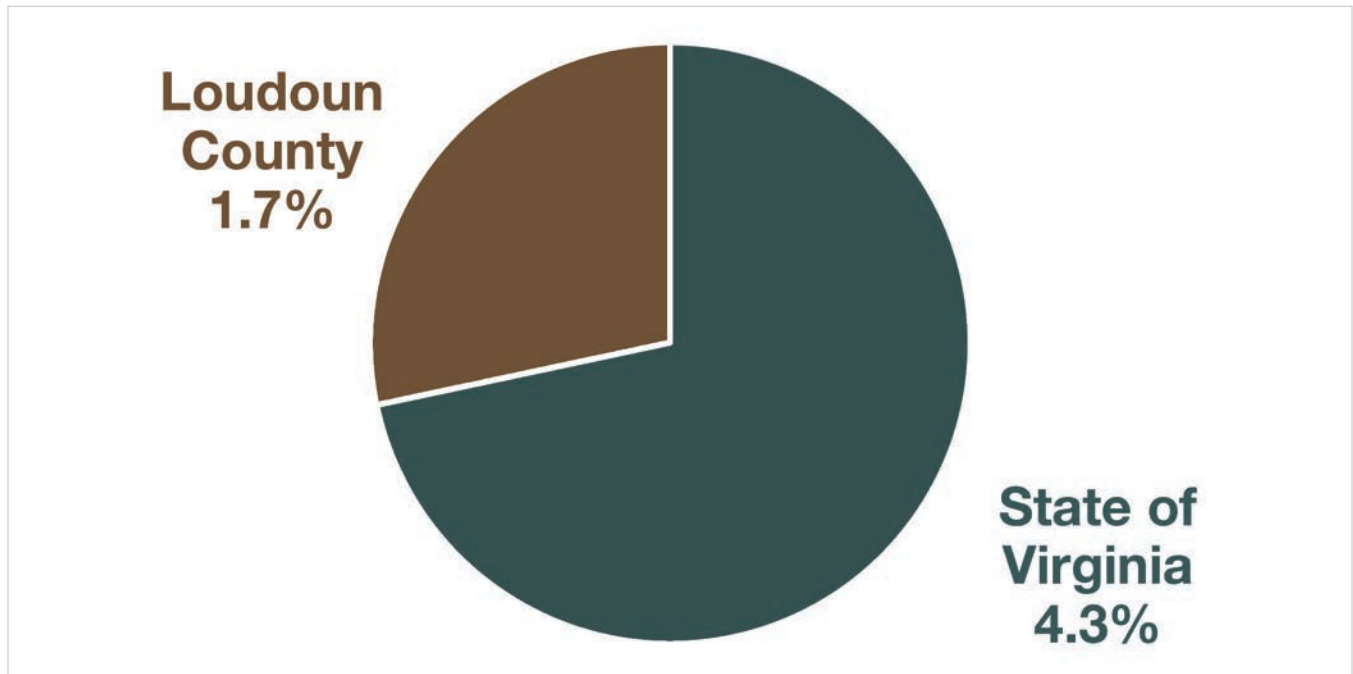
Data centers are windowless warehouses full of computers that store and process information. Over time, their average size and cost has greatly grown, and so-called “hyperscale” data centers can be the size of several football fields and cost a half-billion dollars or more to construct and equip.

State subsidy programs specifically created for the industry typically exempt projects from paying sales and/or use taxes on their largest start-up and maintenance expenses, including:

- Construction materials (i.e., the building foundation and shell);
- The servers (including server replacements required every two to five years);
- Server racks;
- Cabling for power, data transmission, and monitoring;
- Distributed data-storage systems;
- Security, surveillance, firewall, encryption, and cyber-intrusion defense equipment and software;
- Fiber-optic cabling to the internet and associated security hardware;
- Stand-by power generators (which usually consume fossil fuels such as diesel or natural gas, and which must be run intermittently);
- Uninterruptable power source systems, including batteries;
- Power-grid connections with internal switches, distributors, and redundancy (hyperscale data centers may have their own electric substation);
- Air and/or water-based chillers/cooling systems; the latter require extensive plumbing (data servers generate heat and use large amounts of electricity for cooling as well as computing; designs vary);
- Ventilation, humidification, and dehumidification systems;
- Fire protection equipment (smoke detectors, sprinklers, passive barriers);
- “Meet-me rooms” where telecom traffic is managed;
- Operations center where 24/7 staffing monitors and troubleshoots; and a
- Lobby/entrance and shipping room.

These sales and use tax revenue losses are multi-layered. When a state certifies a data center as eligible for these tax exemptions, that certification typically includes the *local* share of the tax as well as the *state* share. That is, states effectively *preempt* local sales tax authority on data centers.

Figure 1: State and Local Sales Tax Split (of 6%) in Loudoun County, Virginia



Source: Virginia Department of Taxation, at: <https://www.tax.virginia.gov/sales-tax-rate-and-locality-code-lookup>

The data center changes associated with artificial intelligence are raising complexity and costs and therefore lost tax revenues. For example, the more advanced and higher-priced graphics processing units (or GPUs) required for AI computing use several times more electricity than central processing units (CPUs). This means companies not only spend more on equipment that generates more heat, but they also need more electricity to run and cool the equipment, and that electricity is typically exempted from utility taxes.

This is an additional subsidy atop the power-rate discounts, often of undisclosed value, that data center operators negotiate with utility companies. These electricity subsidies, as well as local subsidies such as property tax abatements and dedicated infrastructure, are beyond the scope of this study.

Most states' eligibility rules for the sales and use tax exemptions were written when most data centers were far smaller than today's.

So virtually every new data center these days easily qualifies (usually based on what are today very small hiring and capital investment requirements). So data center tax exemptions are virtually automatic.

These exemptions are very long or permanent, and uncapped. No state limits the amount of tax exemption any one facility or company can receive. Once approved, a data center is exempt from paying taxes for decades, and in six states, indefinitely.¹ And statewide, the exemptions are uncapped: none limits how much revenue can be foregone each year.

A few state programs, in addition to sales and use tax breaks, include automatic property tax exemptions. Mississippi even exempts data center profits from income tax.

These open-ended tax exemptions, combined with the industry's hyper growth rate, explain why data centers pose such a threat to state budgets.

SOME STATES ARE GROWING CONCERNED

In a handful of states, the runaway revenue costs and other controversial effects of data centers have prompted debates and reform efforts. For example:

- In Georgia, in early 2024, the legislature passed a bill to pause the state's data center incentive program in order to review it. However, Gov. Brian Kemp vetoed the bill.
- In Washington State, Gov. Bob Ferguson created a multi-department task force in early 2025 to study how data centers affect tax revenue, and to examine how data centers affect the state's carbon neutrality plan as well as the jobs created.²
- Virginia's recently completed 2025 legislative session included debates on 30 bills intended to improve disclosure over water and energy use, create incentives for data centers to operate more efficiently, and to protect ratepayers from subsidizing data centers' energy infrastructure. Almost all of the bills failed; no substantial reform proposals survived.³

TRANSPARENCY OF DATA CENTER SUBSIDY COSTS: UNEVEN DESPITE ACCOUNTING RULE

Out of 32 states with subsidy programs for data centers, 20 disclose the annual costs of those subsidies, or they at least disclose costs for some selected years. The remaining 12 states do not report foregone tax revenues to data centers.

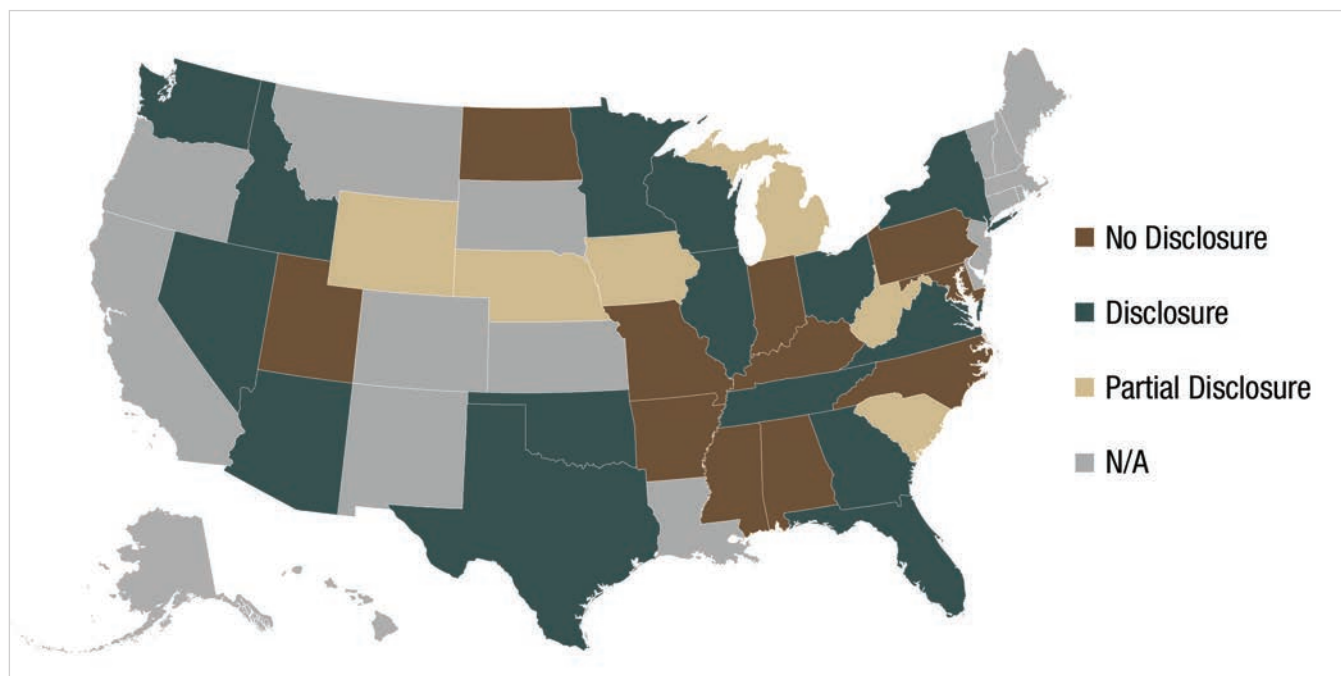
In some cases, state agencies responsible for such estimates do not have access to data to determine the losses, are prevented by state tax privacy laws from disclosing the data, or are not obligated to publish any statistical reports on such costs.⁴

This is a troubling finding especially for states such as Indiana (which has three new hyperscale data centers on the way), North Carolina and Utah (both of which also have substantial data center growth).

Iowa, which hosts around 100 data centers owned by Google, Microsoft, and others, produces its tax expenditure report only every five years.⁵ The most recent report, published in 2020, before the AI boom and expansion of many projects in the state, shows that data centers subsidy cost the state residents \$150 million. No newer data is yet available. (An Apple data center in Waukee, Iowa, was awarded \$208 million in state and local subsidies; it only began operating after the most recent tax expenditure budget.)

Indiana, which already has over 50 data centers and several hyperscale projects under construction, does not disclose foregone revenue for its program. In a 2024 one-time data center incentive review, the Office of

Figure 2: States With and Without Disclosure of Data Center Revenue Losses



Source: Good Jobs First.

Fiscal and Management Analysis stated the cost cannot be provided because too few companies had yet claimed the exemptions (i.e., disclosure would violate taxpayer confidentiality). But, it added, those tax breaks “will be significant in the short and long term.” So far seven companies have been approved for the subsidy, including Amazon, Meta (Facebook), Microsoft and Alphabet (Google).⁶

While programs can include *state and local* sales tax exemptions, only three states systematically disclose a state and local breakdown: in 2025, Georgia localities involuntarily lost \$136 million to data center subsidies;⁷ Tennessee localities lost \$27 million;⁸ and Washington State localities lost \$26 million.⁹ In a one-time report, Wyoming estimated local costs in 2023 at \$22.6 million.¹⁰

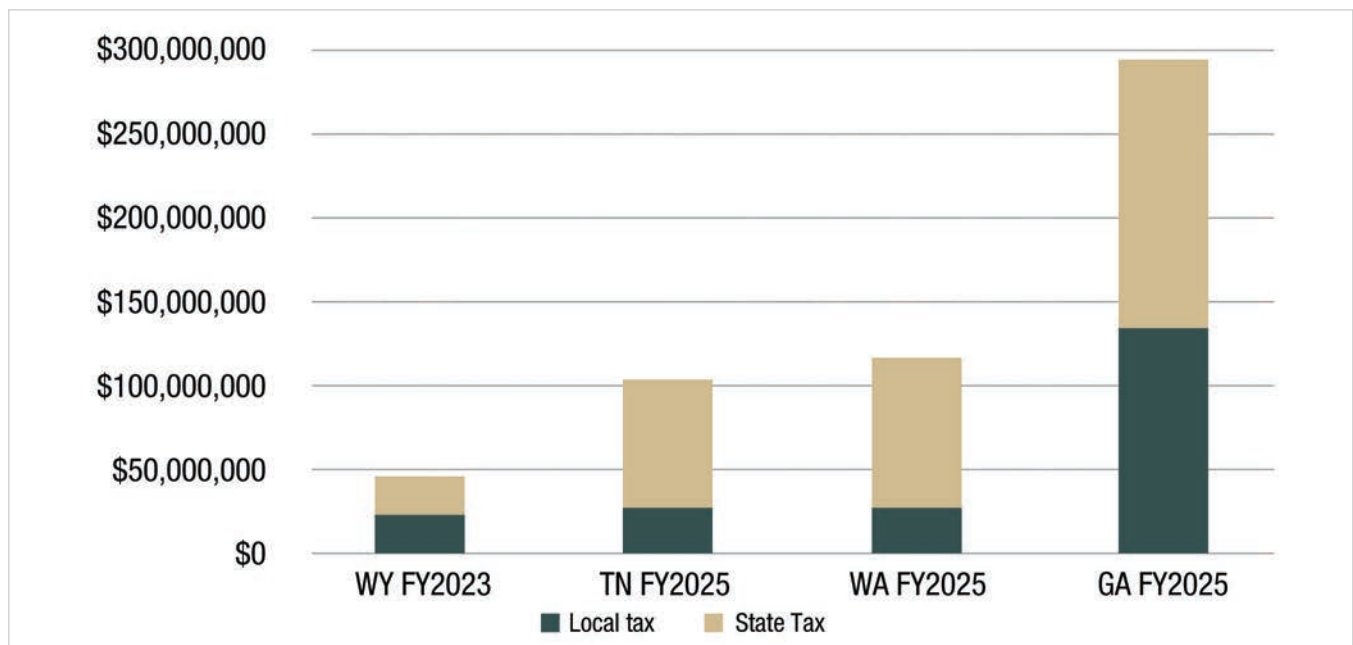
Eight state programs include additional property tax abatements, but only three states disclose some data on those losses. For example, in 2020, before the AI boom, Iowa localities forewent \$23 million in property taxes.

Tax Abatement Disclosure Compliance

Problem: Good Jobs First believes that data center tax exemptions meet the definition of “tax abatement” as set forth by the Governmental Accounting Standards Board (GASB) in its Statement No. 77 on Tax Abatement Disclosures, an amendment to Generally Accepted Accounting Principles issued in 2015. They meet the definition because they involve an agreement between a state and a data center company in which the state agrees to forego income in exchange for the company doing something (such as investing and/or hiring) that the state deems beneficial.¹¹

Because data center tax exemptions meet the definition of “tax abatement,” Good Jobs First believes that every state, and every local government which uses GAAP accounting and which foregoes income to data centers, should be disclosing those revenue losses in a note in their Annual Comprehensive Financial Report, as prescribed by GASB Statement 77.¹²

Figure 3: State and Local Foregone Revenue due to Data Center Incentives in Selected States



Source: Wyoming’s “Broadening of Sales Tax: Repeal of Exemptions and Taxation of Services,” May 16, 2024; Tennessee’s “Expenditures by Object and Funding by Source, FY 2025-2026”; Washington’s “2024 Tax Exemption Study”; Georgia’s “FY 2026 Tax Expenditure Report”.

THE BIGGEST-LOSING STATES (THAT WE CAN IDENTIFY)

In 10 out of the 20 states that disclose at least some annual costs, data center subsidy programs cost over \$100 million a year (for the most recent year disclosed). Texas is losing an estimated \$1 billion in FY 2025, making it one of the most expensive subsidy programs for any industry in any state.¹³

In Virginia, the state’s Annual Comprehensive Financial Report (audited spending report) shows \$732 million spent on the program in 2024, slightly down from \$750 million spent a year earlier.¹⁴ But those are state losses only. A legislative audit released in 2024 puts total *state, local, and regional*, revenue losses in FY 2023 at \$928.6 million.¹⁵ The program now equals 42% of all economic development

incentive spending by the Commonwealth of Virginia.¹⁶

Illinois, with the Chicago metro area as a major data center hub, lost \$371 million in 2023 – up 628% from 2022.¹⁷

These are significant amounts. The program in Texas costs as much as the now-expired Chapter 313, a controversial property tax abatement program that the state legislators ended because of its ballooning costs. In Virginia, \$732 million would pay for the entire operation of the state’s Judicial Department.¹⁸ In Illinois, \$370 million in tax breaks to big tech equals the amount of federal pandemic relief the state redistributed to its 1,200 smallest communities.¹⁹

Table 1: Data Center Subsidy Programs Costing over \$100 Million Per Year, Based on Most Recently Available Data.²⁰

State	Most recently reported cost	Year	Note
Texas	\$1,015,600,000	2025	Costs for two sales and use tax exemption programs that include exemptions on power purchase.
Virginia	\$732,800,000	2024	Includes only <i>state</i> sales tax exemptions from ACFRs. A one-time study of data centers in Virginia reported \$928.6 million in <i>state, local, and regional</i> sales tax exemptions in FY 2023, \$683 million being state loss.
Illinois	\$370,609,085	2023	Amounts of state and local exemptions reported by companies.
Georgia	\$296,000,000	2025	Estimates of state and local sales tax exemptions for two data center programs.
Iowa	\$151,100,000	2020	Costs of sales <i>and</i> property tax exemptions; estimates from before AI boom.
Nevada	\$139,968,442	2024	Costs of sales <i>and</i> property tax exemptions.
Ohio	\$127,400,000	2025	Sales and use tax exemptions.
Minnesota	\$114,200,000	2025	Sales and use tax exemptions.
Washington State	\$112,130,000	2025	State and local sales tax exemptions for two programs (urban and rural locations).
Tennessee	\$103,600,000	2025	State <i>and</i> local sales tax exemptions.

RAPID GROWTH CREATES HAVOC FOR STATE COST ESTIMATES

State agencies responsible for calculating how much data center exemptions cost state budgets are having serious trouble keeping up with the rapid industry growth and resulting revenue losses. The most troubling example comes from Texas. The state Comptroller office estimated in its February 2023 “Tax Exemptions and Tax Incidence” report that the data center subsidy will cost about \$130 million in FY 2025. However, in its next exemptions report, published in January 2025, the office raised that projection to *\$1 billion* for the same 2025. The Comptroller now estimates the program will cost an astonishing \$1.7 billion in 2030 alone, and \$9 billion between 2025 and 2030.²¹

In Virginia, the “Annual Economic Development Incentives Evaluation” from FY 2023 showed data center subsidy costs at \$81 million in FY 2022. By the following year’s evaluation, when the methodology was updated, the reported cost of the

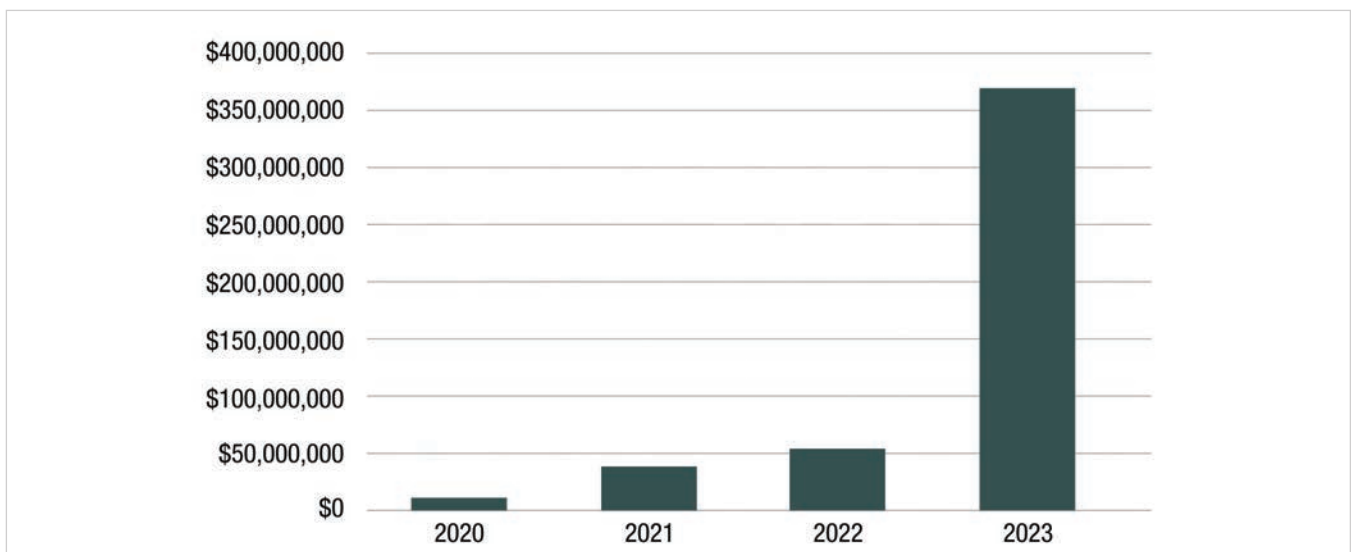
program was raised to \$411 million also for FY 2022. The report revised its three-year estimates, which now show \$1.7 billion going to data centers for the three years 2021 through 2023.²²

Ballooning Cost Increases

Among states with consistent data series, Illinois experienced the largest increase in subsidy costs over time. In 2020, the program cost \$10 million. By 2024, it was \$370 million, an increase of 3,600%. Arizona’s increase was also over 1,200%: from \$1.4 million in 2020 to \$19 million in 2024.²³

Such sharp increases reflect the industry’s growth rate, the rising size and cost of data centers, and the lack of guardrails in states’ enabling legislation: there are no caps on how much any facility or company can benefit from the tax breaks, or how much any state can lose in a given year.

Figure 4: Illinois Data Center Program Costs



Source: Illinois Department of Commerce, “Data Center Investment Program Annual Reports,” reports for years 2020 to 2023

State Policy Recommendations

We recommend that states cancel data center tax exemption programs immediately. Cloud computing is a profitable, rapidly growing industry that does not need any public financial support. Left as they are, these tax exemptions will continue to primarily enrich shareholders of some of the most valuable corporations on the planet²⁴: Amazon, Apple, Alphabet (Google), Microsoft, and Meta (Facebook).

Short of immediate cancellation, states should amend enabling legislation to cap how much in taxes any facility and any company can avoid each year, and how much revenue the program can abate each year.

States should also amend enabling legislation to require a state agency to collect tax exemption amounts benefiting data centers and to publish the data annually. As some states already do with GASB Statement 77 tax abatement disclosure compliance, the responsible state auditor, treasurer, or comptroller should publish how much each *local* government lost each year (as well as the state). This can be achieved by requiring companies to supply relevant data to a state agency for analysis and public posting. There

should be a statutory penalty for companies that do not submit the data.

Short of cancellation or capping, we recommend that states pause these programs and study their impact on state and local budgets.

Finally, states should also use a subsidy pause to weigh: the impact of data centers on residential and small business electricity prices (and how rising utility costs could affect a state's economic development prospects); how data centers threaten to disrupt states' green economy plans and increase the use of fossil fuels to meet their voracious demand for electricity; and how data centers are affecting the use of arable land, supplies of water, air quality, siting of new high-tension power lines, and quality of life including noise nuisance.

And for every state, no matter how its program works, as always we urge robust disclosure: facility-specific annual reporting on how much in tax exemptions were received, how many permanent jobs were created, the lowest and the median wages and benefits paid to non-supervisory workers, and robust disclosure of the ultimate beneficial owner of each abated facility.

ENDNOTES

- 1 A good overview of state level data center incentive programs can be found in: Scott Wright, Alla Raykin and Laurin E. McDonald, “Tricks and Traps of Data Center State Tax Incentives,” *TaxNotes*, January 1, 2024: <https://www.taxnotes.com/special-reports/tax-technology/tricks-and-traps-data-center-state-tax-incentives/2023/12/28/7hmb7>
- 2 Lulu Ramadan and Sydney Brownstone, *The Seattle Times*, February 5, 2005, “Washington Governor Orders Team to Study Data Centers’ Impact on Energy Use, Job Creation and Tax Revenue,” at: <https://www.propublica.org/article/washington-data-centers-study-bob-ferguson>
- 3 Julie Bolthouse, Piedmont Environmental Council, “Data Center Reform Campaign Continues,” April 2025, at: <https://www.pecva.org/resources/publications/piedmont-view/data-center-reform-campaign-continues/>
- 4 State governments do not have access to the data because enabling legislations do not require any agency to track those expenditures or because benefiting companies are not required to report the amounts to the state. In some states, for example in Indiana, state disclosure laws prohibit agencies from publishing forgone tax statistics because there are not enough recipients. In other cases, state governments do not produce statistical documents that include forgone tax revenue of various tax breaks, including those for economic development purposes; or they publish them periodically.
- 5 Data Center Map, Iowa. Accessed March 25, 2025: <https://www.datacentermap.com/usa/iowa/>
- 6 Data Center Map, Indiana. Accessed March 25, 2025: <https://www.datacentermap.com/usa/indiana/>; Indiana’s program exempts companies from paying sales and property tax. A one-time data center incentive evaluation by Indiana’s Legislative Services Agency stated that property tax exemption has not been used as of May 2034. The authors stated that “Due to data limitations, LSA was unable to estimate the [sales and use] exemption amount.” See: Legislative Services Agency, the Office of Fiscal and Management Analysis, Indiana Tax Incentive Evaluation, 2024: https://iga.in.gov/publications/tax_incentive_review/2024%20Tax%20Incentive%20Evaluation_FINAL.pdf; Indiana’s 2024 Tax Expenditure Review published by the Office of Fiscal And Management Analysis at the Legislative Services Agency shows the forgone revenue as “Indeterminable.” <https://www.in.gov/sba/files/2024-Tax-Expenditure-Review-FINAL.pdf>
- 7 Georgia State University, Fiscal Research Center of the Andrew Young School of Policy Studies, “Tax Expenditure Reports”: <https://opb.georgia.gov/budget-information/budget-documents/tax-expenditure-reports>
- 8 Tennessee Department of Finance and Administration, Budget Publications, “Expenditures by Object and Funding by Source for Fiscal Years 2025-2026”: <https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-archive/fiscal-year-2025-2026-budget-publications.html>
- 9 Washington State, Department of Revenue, “2024 Tax Exemption Study: <https://dor.wa.gov/about/statistics-reports/tax-exemptions-2024>. Costs are sums of two active data center programs.
- 10 Wyoming Legislative Service Office, Memorandum, “Broadening of Sales Tax: Repeal of Exemptions and Taxation of Services,” May 16, 2024: <https://wyoleg.gov/InterimCommittee/2024/03-2024052820240516BroadeningofsalestaxRepealofExemptionsandTaxationofServices.pdf>
- 11 Good Jobs First led the 2014-2015 comment campaign urging GASB to adopt Statement 77 and maintains numerous resources on how GAAP accounting works in every state, including abatement disclosure data since 2017 for the states and many localities, at: <https://goodjobsfirst.org/tax-abatement-disclosures-gasb-77/>
- 12 About three-fourths of local governments in the United States use GAAP accounting pursuant to state law, administrative code, federal reporting requirements, and/or the desire to get better credit ratings and therefore lower borrowing costs when issuing bonds.
- 13 Texas Comptroller of Public Accounts, “Tax Exemptions & Tax Incidence.” January 2025: <https://comptroller.texas.gov/transparency/reports/tax-exemptions-and-incidence/>
- 14 Virginia Department of Accounts, “Annual Comprehensive Financial Report” FY2024 and FY2023: <https://www.doa.virginia.gov/reports.shtml>
- 15 Virginia Joint Legislative Audit and Review Commission, a Report to the Governor and the General Assembly of Virginia, number 598, “Data Centers in Virginia,” 2024: <https://jlarc.virginia.gov/landing-2024-data-centers-in-virginia.asp>
- 16 Virginia Joint Legislative Audit and Review Commission, a Report to the Governor and the General Assembly of Virginia, number 597, “Economic Development Incentives 2024. Spending and Performance,” November 7, 2024: <https://jlarc.virginia.gov/pdfs/reports/Rpt597.pdf>
- 17 Illinois Department of Commerce, “Data Center Investment Program Annual Reports,” reports for years 2020 to 2023; no newer reports are available: <https://dceo.illinois.gov/aboutdceo/reportsrequiredbystatute.html>. Costs are differences between the cumulative total exemptions reported in each annual report (see the text on the last page of each report).
- 18 Virginia Legislative Information System, Budget Bill - HB1600 (Enrolled), 2025 legislative session: <https://budget.lis.virginia.gov/bill/2025/1/HB1600/Enrolled/>
- 19 Illinois State Budget, FY 2023, p. 28: <https://budget.illinois.gov/content/dam/soi/en/web/budget/documents/budget-book/fy2023-budget-book/fiscal-year-2023-operating-budget.pdf>

20 Texas: Texas Comptroller of Public Accounts, “Tax Exemptions & Tax Incidence.” January 2025: <https://comptroller.texas.gov/transparency/reports/tax-exemptions-and-incidence/>

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24 Kenneth Thomas, “5 Questions with Joshua Jansa: Economic Development Subsidies Concentrate Wealth Upwards,” Good Jobs First, November 29, 2022: <https://goodjobsfirst.org/5-questions-with-joshua-jansa-economic-development-subsidies-concentrate-wealth-upwards/>

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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Testimony - HB 560

Sales and Use Tax and Property Tax – Exemptions for Data Centers – Repeal

In 2020, Maryland enacted two tax breaks to incentivize data center development. The first exempted qualified data centers from state sales tax and the second authorized local governments to give personal property tax exemptions. HB 560 would repeal these tax exemptions and end taxpayer subsidies for an industry that is causing consumer electricity bills to increase.

Impact on State Revenues

Data centers require large capital investments in servers and related equipment. Under current state law, these purchases are entirely exempt from sales and use tax. A small data center serving a university or hospital system typically purchases between \$35-\$100 million in servers and stands to save \$2-6 million in sales tax. Large hyperscale data centers, designed to serve the giant tech companies, purchase between \$600 million and \$1 billion in server equipment for a single facility.¹ A large data center could save up to \$60 million because of this tax break.

These are not one time losses for the state. Server equipment is typically replaced every 3-5 years.² Because the state sales tax exemption applies for a 10 or 20 year period, depending on the size of the data center, it is a recurring subsidy that results in substantial revenue losses over the exemption period.

Maryland has lost more than \$22.2 million to date from the state sales tax exemption.³ Notably, the annual cost has increased ten-fold since its inception in 2020, from \$916K to more than \$11.3 million in 2024. These tax breaks were accrued by just four companies, including Amazon and Microsoft. Four additional facilities will soon be eligible for state tax breaks; this will double the number of tax exempt data centers and will accelerate state losses dramatically.

¹ [What is a Hyperscale Data Center?](#) IBM

² [The Environmental Cost of Data Center](#), Net Zero Insights

³ Data provided by the Maryland Department of Commerce

Unfortunately, this pattern of rapidly escalating subsidies is mirrored in other states:^{4,5}

- Virginia: The nation's leading data center market lost \$1.6 billion in combined state and local tax revenue in FY 2025 from data center incentives. This is *double* the price tag from just a year earlier.
- Illinois: Experienced a 3,600 percent increase in revenue losses from 2020 to 2024 (\$10 million to \$370 million)
- Arizona: Saw a 1,200 percent increase from 2020-2024 (\$1.4 million to \$19 million)
- Texas: Initial estimated cost for FY 2025 was \$130 million; actual losses were more than \$1 billion
- Georgia: \$474 million in forgone revenue in FY 2025 and nearly \$1.5 billion since the inception of the tax breaks

Based on the experiences of other states, there is real reason to fear the trajectory of Maryland's tax breaks for data centers.

Rising Energy Costs

Maryland is in the midst of an energy affordability crisis. Wholesale electricity costs are up by 267 percent nationwide over a five year period of time and those rising costs are being passed on to consumers.⁶ In Baltimore, the price per megawatt was \$17 in April 2020—on par with the nationwide average of \$16. By April 2025, the energy prices in Baltimore had more than doubled to \$38 per megawatt.

Lack of Job Creation

Corporate tax breaks are often enacted with a promise of compelling economic benefits. Maryland's experience and national evidence demonstrate that data centers generate far fewer permanent jobs than promised and the cost per job created is extraordinarily high. Our \$22 million in state tax exemptions have created just 276 permanent jobs.³ That equals a state subsidy of \$80,000 per job, even though the jobs only have to pay roughly \$47,000 a year to count towards subsidy eligibility.

No Long Term Commitments

The technology companies receiving the sales tax benefits normally don't make long-term commitments to a facility. Instead, they temporarily lease buildings for three to five years,² while some other entity owns the land and facilitates the development of the site. Technology

⁴ "Cloudy with a Loss of Spending Control: How Data Centers Are Endangering State Budgets." 2025, Good Jobs First

⁵ "Tax Incentive Evaluation: Georgia Data Center Sales & Use Tax Exemption." 2025, Georgia Department of Audits and Accounts

⁶ "AI Data Centers are Sending Power Bills Soaring." 2025, Bloomberg

improvements are predicted to eventually reduce demand for data centers, which will likely result in contraction of the industry and facilities sitting vacant.

Environmental Burden

Data centers impose substantial demands on public infrastructure and natural resources, resulting in additional costs to Marylanders.⁷ Data centers consume millions of gallons of water for cooling, creating extra strain on water supplies and wastewater treatment capacity. These infrastructure costs are also borne by Maryland's taxpayers through higher utility bills.

Tax Breaks are Unnecessary

Maryland is already an attractive location for data centers.⁸ We have a strategic geographic location, with proximity to multiple major population centers and to federal government facilities. Maryland has an extensive fiber-optic network infrastructure. And we rank as one of the most highly educated states in the U.S. These are organic competitive advantages that allow Maryland to compete for technology-sector employees without special tax benefits.

Notably, the vast majority of data centers operating in Maryland are operating without tax breaks (35 out of 45 data centers). Moreover, only three counties have enacted the local tax break: Anne Arundel, Howard, Prince George's Counties. Data centers are coming to Maryland even when they aren't eligible for tax breaks.

Conclusion

Other states, including Arizona, Georgia, Michigan, Virginia, and Washington, are actively considering legislation this year to repeal tax cuts for data centers.⁹ Many of these efforts are bipartisan.

We simply cannot afford to continue footing the bill for billion dollar tech corporations. Repealing the tax breaks for data centers will protect state revenues at a critical budget moment, prevent looming losses, and ensure that Marylanders don't continue to subsidize an industry that is driving up their electricity bills.

⁷ "A.I. Is on the Rise, and So Is the Environmental Impact of the Data Centers That Drive It." 2025, [Smithsonian Magazine](#)

⁸ "Maryland Data Center Summit Panel Highlights State's Strategic Position and Industry Growth." 2024, [Data Center Post](#)

⁹ "States Go After Tax Breaks for Data Centers: States of Play." 2026, [Bloomberg Government](#)

HB0560.pdf

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Juliet Brown <julietrose.brown@gmail.com>

Support HB0560

1 message

Juliet Brown <julietrose.brown@gmail.com>
To: Juliet Brown <julietrose.brown@gmail.com>

Tue, Feb 10, 2026 at 2:48 PM

I support HB 560 to repeal the sales and property tax exemptions for data centers. It is not fair that these centers get exemptions from sales and use taxes for personal property, and get reductions in property taxes. Especially when they create other problems such as increased utility costs for average Marylanders. They should pay their fair share!

Juliet Brown

--

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FEBRUARY 12, 2026

Maryland Should End Costly Tax Breaks for Data Centers

Position Statement in Support of House Bill 560

Given before the House Ways and Means Committee

As policymakers have added a growing number of business subsidies to Maryland's tax code over the last several decades, evidence has begun to pile up that the millions of dollars we put into business tax breaks each year do little to support Maryland's economy. Worse, these tax breaks use up resources that could otherwise be invested in assets businesses value, such as great public schools and modern transportation infrastructure. House Bill 560 would repeal a special tax break for data centers that has only been in existence since 2020, and as a result prevent deeper cuts to public services that both businesses and families value. **For these reasons, the Maryland Center on Economic Policy supports House Bill 560.**

Data centers are large warehouses that house computing hardware and systems designed to store, access, and disseminate large amounts of data. They can range in size and scale, but all serve the same function. Prior to the rise in use of artificial intelligence, data centers were not a massive enterprise. The hyperscale growth of the industry around the country over the last few years has raised concerns in communities about environmental impact, electricity demand, and local input where these data centers are housed.ⁱ The rapid growth of the industry is partly due to several states offering generous sales and use tax exemptions on purchased hardware to attract these businesses. These personal property sales and use tax exemptions are offered on a wide range of hardware and infrastructure needed to build and operate data centers. The larger the data center, the more equipment needed to run it. These exemptions also affect the local government revenues, as the exemption applies to both the state and local share of personal propertyⁱⁱ.

Maryland began offering these tax exemptions to data centers after the legislature passed Senate Bill 397 in 2020. The exemption for qualified data centers requires them to meet the a certain investment and job creation threshold. This amounts to at least \$2 million in investments in designated counties and \$5 million in the rest of the state, issued after a three-year report period. It also conditioned the exemption on being a net job creator and offer wages at 150% of the state minimum wage. In general, it is difficult to impossible to determine whether tax subsidies played any causal role in jobs at subsidized projects, or if those jobs would have existed without any subsidy.

These incentives can last up to 10 years and even more in some cases. Given the increasing size and scale of data centers built today, this exemption can be met by many varying types of data centers.ⁱⁱⁱ House Bill 560 seeks to end these tax exemptions while deauthorizing localities from assessing exemptions.

With the explosion of data center construction in full swing, states with generous tax exemptions have begun to realize real fiscal loss from state and local revenues. Around the country, states are now seeing massive revenue losses from sales and use tax. Virginia, for example, has led the nation to attract data centers,^{iv} but not without costly forgone state revenue. Virginia's Fiscal Year 2026 estimated loss of sales and use tax revenue from data centers at \$1.6 billion.^v Other states such as Texas and Illinois have lost \$1 billion in Fiscal Year 25 and \$370 million in Fiscal Year 23 respectively.^{vi} Maryland does not publicly disclose the overall revenue loss to data centers, but

according to state data shared by request, the state has forgone approximately \$22 million in sales and use tax as of 2025.^{vii} As data centers typically employ few people, only 276 jobs were reported by those facilities during that time period. In 2025, Maryland approved four additional designations for data center projects. With the tax break on a three-year report basis, the cost could grow significantly in coming years and put further pressure on the state budgets.

Meanwhile, evidence shows that these special tax breaks do little to support our economy.^{viii} One reason for the disappointing performance of tax subsidies is the relative insignificance of state and local taxes to businesses' bottom lines, as they account for only 2 to 3 percent of most companies' cost structure.^{ix}

While evaluations of the state's data center tax breaks are not available, the Department of Legislative Services has repeatedly found design flaws and limited evidence of effectiveness in business tax subsidies. Since 2022, DLS has recommended terminating, consolidating, or reining in the following business tax breaks: the One Maryland Economic Development Tax Credit,^x the More Jobs for Marylanders Program,^{xi} the Enterprise Zone Tax Credit,^{xii} the Innovation Incentive Tax Credit,^{xiii} the Credit for the Purchase of Cybersecurity Technology or Services,^{xiv} the Research and Development Tax Credit,^{xv} the Film Production Activity Tax Credit,^{xvi} and the Businesses that Create New Jobs Tax Credit.^{xvii}

As forgone tax revenues cost the state more each year, Maryland should end these long-term generous tax breaks for the large, profitable corporations that are leading data center development nationwide.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 560.

Equity Impact Analysis: House Bill 560

Bill summary

House Bill 560 repeals existing state tax exemptions and repeals localities from assessing property tax reductions for data centers in Maryland.

Background

States around the country offer tax exemptions on personal property for qualified data centers. While it varies by state, Maryland offers a tax exemption if a business:

- Invest \$2 million on personal property in certain counties (Tier 1) and \$5 million in the rest of the state.
- Is a net job creator and has an average wage 150% above the state minimum wage.

Maryland's data center tax subsidies were created under Chapter 640 of 2020.

Equity Implications

Data centers can impact local communities in several ways:^{xviii}

- Increased utility rates from high energy demand, often leading to costly infrastructure upgrades.
- Increased resource consumption for heating, cooling, and electricity generation.
- Environmental issues from prolonged fossil fuel use, especially for power generation.

These externalities often impact local communities who often don't get to negotiate as stakeholders.

Furthermore, ineffective business tax subsidies like the one repealed under House Bill 560 use up revenue that could otherwise support investments that build broad-based opportunities, such as public education and child care scholarships.

Impact

House Bill 560 would likely **improve racial and economic equity** in Maryland.

ⁱ Michael Copley, “Data Centers Are Booming. But There Are Big Energy and Environmental Risks,” *NPR*, 2025, <https://www.npr.org/2025/10/14/nx-si-5565147/google-ai-data-centers-growth-environment-electricity>

ⁱⁱ <https://dls.maryland.gov/pubs/prod/RecurRpt/Issue-Papers-2024-Legislative-Session.pdf#page=180>

ⁱⁱⁱ Greg LeRoy and Kasia Tarczynska, “Cloudy with a Loss of Spending Control: How Data Centers Are Endangering State Budgets,” Good Jobs First, 2025, <https://goodjobsfirst.org/wp-content/uploads/2025/04/Cloudy-with-a-Loss-of-Spending-Control-How-Data-Centers-Are-Endangering-State-Budgets.pdf>

^{iv} Kimberly Sarte, Mark Gribbin, Ellen Miller, Sarah Berday-Sacks, Kate Hopkins, and Scarlett Saunders, “Data Centers in Virginia,” Virginia Joint Legislative Audit and Review Commission, 2024, <https://jlarc.virginia.gov/landing-2024-data-centers-in-virginia.asp>

^v Kasia Tarczynska and Greg LeRoy, “Virginia Tax Revenue Losses to Data Centers Soar to \$1.6 Billion for FY25,” Good Jobs First, 2026, <https://goodjobsfirst.org/virginia-tax-revenue-losses-to-data-centers-soar-to-1-6-billion-for-fy25/>

^{vi} LeRoy and Tarczynska, 2025

vii

^{viii} See for example Nathan Jensen, “The Effect of Economic Development Incentives and Clawback Provisions on Job Creation: A Pre-Registered Evaluation of Maryland and Virginia Programs,” *Research & Politics*, 2017, <https://journals.sagepub.com/doi/abs/10.1177/2053168017713646>

^{ix} Robert Tannenwald, “Testimony of Robert Tannenwald, Senior Fellow, Before the New Hampshire Business Tax Commission,” Center on Budget and Policy Priorities, 2010, <https://www.cbpp.org/testimony-of-robert-tannenwald-senior-fellow-before-the-new-hampshire-business-tax-commission>

^x Katylee Cannon, Heather MacDonagh, Robert Rehrmann, and Charity Scott, “Evaluation of the One Maryland Economic Development Tax Credit,” Department of Legislative Services, 2022, https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_One_Maryland_Economic_Development_Tax_Credit.pdf

^{xi} George Butler, Emily Haskel, Brett Ogden, Robert Rehrmann, and Erika Schissler, “Evaluation of the More Jobs for Marylanders Program,” Department of Legislative Services, 2022, https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_More_Jobs_for_Marylanders_Program.pdf

^{xii} Mindy McConville, Brett Ogden, and Robert Rehrmann, “Evaluation of the Enterprise Zone Tax Credit,” Department of Legislative Services, 2022, https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_Enterprise_Zone_Tax_Credit.pdf

^{xiii} Victoria Gruber and Ryan Bishop, “Innovation Investment Incentive Tax Credit Evaluation Letter,” Department of Legislative Services, 2023, <https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Review-of-the-Innovation-Investment-Incentive-Tax-Credit.pdf>

^{xiv} Tatiana Hill, Heather MacDonagh, Brett Ogden, and Charity Scott, “Evaluation of the Credit for the Purchase of Cybersecurity Technology or Services,” Department of Legislative Services, 2023, https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_Credit_for_Purchase_of_Cybersecurity_Technology_or_Services.pdf

^{xv} Elizabeth Allison, Harry Hall, Heather MacDonagh, Brett Ogden, and Charity Scott, “Evaluation of the Research and Development Tax Credit,” Department of Legislative Services, 2024, <https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Research-and-Development-Tax-Credit-2024.pdf>

^{xvi} Elizabeth Allison, Kerry Michael, and Elizabeth Waibel, “Evaluation of the Film Production Activity Tax Credit Program,” Department of Legislative Services, 2025, <https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Film-Production-Activity-Tax-Credit-Program-2025.pdf>

^{xvii} Daneen Banks, Heather MacDonagh, Charity Scott, and Andrew Stover, “Evaluation of the Businesses that Create New Jobs Tax Credit Program,” Department of Legislative Services, 2025, <https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation-of-the-Businesses-That-Create-New-Jobs-Tax-Credit-Program-2025.pdf>

^{xviii} Terry Nguyen and Ben Green, “What Happens when Data Centers Come to Town,” University of Michigan Ford School of Science, Technology, and Public Policy, 2025, <https://stpp.fordschool.umich.edu/sites/stpp/files/2025-07/stpp-data-centers-2025.pdf>

HB 560.pdf

Uploaded by: Karen Del Giudice

Position: FAV

Delegate Miller,

As your constituent, I ask that you vote 'favorable' on HB560 to repeal the Data Center tax break. Data center development should not be incentivized without conditions to protect our environment and communities. Rather, they should be contributing more fully to protect the environment and the health of the communities they become part of.

Thank you for your consideration.

Karen Del Giudice
5527 Jefferson Blvd
Frederick, MD 21703

MF_HB 560_ Sales and Use Tax Repeal.pdf

Uploaded by: Kathy Kinsey

Position: FAV



Committee: House Ways and Means

Testimony on: House Bill 560 – Sales and Use Tax and Property Tax -Exemptions for Data Centers - Repeal

Organization: Mobilize Frederick

Submitting: Kathy Kinsey

Chair, Government Affairs Committee

Position: Favorable

Hearing Date: February 12, 2026

Dear Chair Wilkins, Vice Chair Feldmark, and Committee Members:

Thank you for the opportunity to submit testimony today in support of HB 560 – The Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal.

Mobilize Frederick, a nonprofit community advocacy organization formed to assist with implementation of innovative local solutions to address climate change, strongly urges the Committee to issue a **favorable** report on HB 560.

This bill will repeal both the existing State Sales and Use Tax exemption for qualified data centers and the authority given to local governments to eliminate or reduce business personal property taxes that would otherwise be applicable to data centers. These tax exemptions were enacted in 2020 before the sharp growth of hyperscale data centers, and without the benefit of a comprehensive study of the economic, energy, environmental, and other community impacts of data centers.

Today, communities in Maryland and across the country where data center development is occurring are experiencing unexpected costs and other impacts – new dependence on fossil fueled generation to meet unprecedented growth in electricity load from data center development, strained grid capacity during periods of peak load, concerns about adequate water resources, along with noise, vibration, air pollution impacts, and sharply rising electricity prices. In 2024, for example, consumers in seven PJM states paid \$4.3 billion more in electricity costs to cover deployment of new transmission infrastructure to serve data centers.

These developments are causing a growing number of states that offer tax exemptions to question whether lost tax revenue outweighs the benefits of data centers.¹

During the period from 2021 to 2025, the State has forfeited nearly \$22.2 million in tax revenues due to data center tax exemptions. These tax exemptions are contributing to the State's current structural budget deficit. This year, as the result of legislation passed in the previous session, the State will undertake a comprehensive study to fully understand the economic, energy, and environmental impacts of data centers. Any decision to grant tax exemptions to data centers should be informed by a proper cost-benefit analysis and the results of this study.

For all these reasons, we urge this Committee to give HB 560 a **favorable** report.

Sincerely,

KATHY KINSEY
Chair, Government Affairs and Policy Committee

cc: Karen Cannon
Executive Director

¹ In Race to Attract Data Centers, States Can Forfeit Millions of Dollars in Tax Revenue to Tech Companies, CNBC, June 20, 2025, <https://www.cnbc.com/2025/06/20/tax-breaks-for-tech-giants-data-centers-mean-less-income-for-states.html>.

Support HB0560 26-10-02.pdf

Uploaded by: Lucy McFadden

Position: FAV

To: Honorable Members of Maryland's General Assembly
Ways and Means Committee

From: Lucy McFadden
3367 Upland Ct
Adamstown, MD 21710

Re: HB0560

February 10, 2026

Thank you for the opportunity to submit written testimony in support of HB0560.

I am writing in support of bill HB0560 because I am concerned that the tax payers in the State of Maryland will be footing the bill for the construction and operation of data centers without learning lessons from other regions in the country that are dealing with the consequences of short-term gains and policies that don't consider the environmental, health and economic impact of the data centers on the communities in which they are built. When rate payers utility rates are skyrocketing, why are the entities involved in building the data centers getting tax breaks? I support this bill that does not allow those tax breaks.

Respectfully,

Lucy McFadden
Adamstown, MD 21710

HB0560 written testimony final.pdf

Uploaded by: Marcia Coe

Position: FAV

Testimony on HB0560
Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal
House Ways and Means Committee

February 12, 2026

Position: FAVORABLE

As a resident of St. Mary's County, I am writing in FAVOR of repealing tax benefits offered to large data centers. The owners of large data centers are poised to make massive profits. Maryland needs the taxes from these profitable businesses to support basic infrastructure, healthcare, education, energy production, and community safety. These companies do not need other incentives. Additionally, these data centers do not generate jobs, use precious water resources and consume large amounts of electricity, driving up utility costs for local communities. I urge you to report out HB0560 favorably.

Respectfully submitted,
Marcia Coe

Greenberg FAVORABLE on HB 560.pdf

Uploaded by: Marcia Greenberg

Position: FAV

Testimony on HB 560 – FAVORABLE
House Ways & Means Committee
February 12, 2026

My name is Marcia Greenberg, and I am writing in FAVOR of repealing any and all tax benefits offered to large data centers. I am absolutely bewildered: In a country where the rich and the SUPER rich are only growing richer – and where the average person, as a resident and as a taxpayer, is struggling more and more - why on earth would the State of Maryland want to extend a tax break to the owners of large data centers who are poised to make HUGE profits? We face fiscal crises at the federal and state levels, and they are trickling down to the counties. We require resources for basic infrastructure, for healthcare and education (like the Blueprint!), for energy production, for community safety – and so much more.

My message is simple: Please go ahead and repeal any tax benefits that have previously been established or proposed for large, lucrative businesses. They do not need the incentives, and they have resources and astronomical profits. We, on the other hand, need tax resources.

And by the way: If they want to go elsewhere, where they will use precious water resources and energy that the local population believes are expendable, then we Marylanders will happily watch them go away.

I fully support this law, HB 560, and URGE you to report it out favorably.

Thank you.

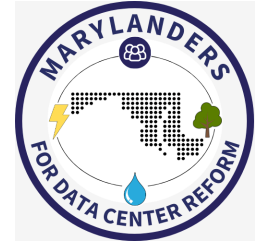
HB 560 Testimony FAV - Repealing Data Center Tax B

Uploaded by: Mariah Davis

Position: FAV

HB0560- FAVORABLE

Mariah Davis
Nature Forward
davisstrategies1@gmail.com
757-291-8785



HB0560- Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal

Ways and Means Committee
February 12, 2026

Chair Wilkins, Vice Chair Feldmark and Members of the Ways and Means Committee,

On behalf of Marylanders for Data Center Reform, I urge a favorable report on HB0560, Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal.

Marylanders for Data Center Reform, created by Nature Forward, represents over 40 Maryland social and environmental organizations, who are deeply concerned about the impacts of hyperscale data center development on ratepayers, water and air quality, and land use decisions. We strongly support HB0560, because this bill protects taxpayers and ratepayers from subsidies and hidden costs to build data centers. 32 states have passed similar tax break laws and are feeling repercussions on their state budgets. At least 10 states have lost more than \$100 million per year in tax revenue to data centers¹.

- Texas lost an estimated \$1 billion in FY 2025, making it one of the most expensive subsidy programs for any industry in any state².
- In Virginia, an Annual Comprehensive Financial Report showed that taxpayers lost \$1.6 billion in FY 2025 in sales and use tax revenue from data centers³.
- Illinois, lost \$371 million in 2023 – up 628% from 2022⁴.

According to the Maryland Department of Commerce, since 2021, the state has provided more than \$22.2M in tax relief from the Sales and Use Tax Exemptions program, administered by the Comptroller of Maryland. Currently, there is no reporting on the economic impacts and gains resulting from this program that supports the build out of data centers. The expedited growth in the data center industry puts Maryland at risk from making accurate cost projections. These tax breaks come at the cost of our \$1.5B budget deficit. We urge this committee to reassess tax laws that prioritize business profits over people and working families. Data centers should pay their fair share and lawmakers should protect Marylanders from hidden, growing revenue losses.

Maryland has the opportunity now to better plan for data centers that best protect communities and taxpayers. Marylanders for Data Center Reform urges a favorable report for this bill.

¹ <https://goodjobsfirst.org/cloudy-with-a-loss-of-spending-control-how-data-centers-are-endangering-state-budgets/>

² <https://comptroller.texas.gov/transparency/reports/tax-exemptions-and-incidence/>

³ <https://goodjobsfirst.org/virginia-tax-revenue-losses-to-data-centers-soar-to-1-6-billion-for-fy25/>

⁴ <https://dceo.illinois.gov/aboutdceo/reportsrequiredbystatute.html>

Respectfully,

Maryland League of Conservation Voters

Nature Forward

Third Act Maryland

HB560 Testimony-NBrady_10Feb2026.pdf

Uploaded by: Nancy Brady

Position: FAV

February 10, 2026

Hello Delegate Julie Palakovich Carr and fellow House Members,

I am writing to submit a favorable vote on HB560, which would repeal the [Sales and Use Tax and Property Tax-Exemptions](#) that incentivizes data center development without conditions to protect the environment or our communities.

Why is it important that we repeal this tax break?

- Illinois thought the lost revenue from a similar tax break to Maryland's would cost the state \$10M. The actual cost is \$370M. In Texas, they estimated that the state would lose \$150M. The actual cost is \$1B. ([Source](#))
- [Virginia Tax Revenue Losses to Data Centers Soar to \\$1.6 Billion for FY25](#)

Thank you!

Best Regards,

Nancy Brady

2-12-2026 HB 560 Sales and Use Tax and Property Ta

Uploaded by: Nancy Soreng

Position: FAV



TESTIMONY TO THE HOUSE WAYS AND MEANS COMMITTEE

HB 560 Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal

POSITION: Support

BY: Linda Kohn President

Date: February 12, 2026

The League of Women Voters has conducted numerous studies to determine our positions on Maryland's Fiscal Structure. One of the key principles that we adopted is that our revenue stream must provide an adequate yield - meaning adequate and timely revenues are available to finance planned expenditures. You are all aware that our current revenue stream does not meet that standard. Another principle that we adopted is compatibility with state social and environmental policy - meaning the state's policy and tax structure are working toward the same ends, not at cross purposes. HB 560 provides an opportunity to work toward those goals.

Before even beginning a state study on Data Centers, the General Assembly saw an economic development potential and rushed to provide tax incentives to lure this industry to Maryland. As we learn more about the environmental impacts as well as the potential for raising the cost of electricity for consumers who are already concerned about the high cost of living in Maryland, HB 560 proposes repealing the generous sales and property exemptions that prior legislation provided to developers of Data Centers.

Other states are showing signs of buyers' remorse about the give-ways that they enacted. For example, here is a headline from Washington state: [How a Washington Tax Break for Data Centers Snowballed Into One of the State's Biggest Corporate Giveaways](#). Here is a story from Ohio: [Indefensible tax breaks for data centers will cost Ohio](#).

We congratulate you on your veto override of the state study on Data Centers. We urge you to repeal the current tax breaks until you have a better understanding of the environmental and economic impacts of this growing but increasingly unpopular industry.

We urge a favorable report on HB 560.

HB1018.docx (1).pdf

Uploaded by: Rebecca Turner

Position: FAV

Testimony on HB560: Repeal of Tax Exemptions for Data Centers

Ways and Means

February 10, 2026

Position: Favorable

My name is Rebecca Turner and I am a resident of La Plata, MD. I strongly urge the committee to pass HB560.

This bill seeks to repeal tax exemptions for data centers.

Data centers are harmful to the environment and raise energy costs. They need to pay their fair share of taxes.

Testimony in support of HB0560 - Sales and Use Tax

Uploaded by: Richard KAP Kaplowitz

Position: FAV

Richard Keith Kaplowitz
Frederick, MD 21703

TESTIMONY ON HB#/0560- POSITION: FAVORABLE

Sales and Use Tax and Property Tax - Exemptions for Data Centers – Repeal

TO: Chair Wilkins, Vice Chair Feldmark, and members of the Ways and Means Committee
FROM: Richard Keith Kaplowitz

My name is Richard Keith Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support of HB#/0560, **Sales and Use Tax and Property Tax - Exemptions for Data Centers – Repeal**

As reported by Maryland Matters: ¹

Maryland decided it wanted to encourage data centers to locate in Maryland. This decision on sales and use and property taxes was made before lawmakers approved bills to study the cost of climate change and the impact of data centers, and establish a new energy planning office for the state, just some of the slew of veto overrides handed to the governor Tuesday [December 16, 2025]. During the veto override Sen. Charles Sydnor (D-Baltimore County) said “The experts are adamant that across the country, and here in Maryland, we are currently rushing to approve data center projects through a poorly planned, chaotic process that lacks a foolproof and regulatory framework to protect our communities from harm”

This bill will slow the development of data centers by controlling costs to the developers being increased while Maryland is doing the impact study. This goal will be met by repealing an exemption from the sales and use tax for certain sales of certain personal property for use at certain qualified data centers under certain circumstances; and repealing the authorization for a governing body of a county or municipal corporation to reduce or eliminate the assessment of certain personal property used in certain qualified data centers.

Maryland and its local jurisdictions should not be giving data centers a free ride on revenues it can collect. Other commercial properties do not receive similar benefits. This bill will slow the process of chasing after the acquisition of data centers in Maryland without full consideration of all the financial and other impacts.

I respectfully urge this committee to return a favorable report on HB#/0560.

¹ <https://marylandmatters.org/2025/12/16/general-assembly-climate-veto-overrides/>

Testimony In Favor of HB 560 (Weiss).pdf

Uploaded by: Ron Weiss

Position: FAV

Testimony In Favor of HB 560

Sales and Use Tax and Property Tax – Exemptions for Data Centers – Repeal House Ways and Means Committee

Position: FAVORABLE

Chair Wilkins, Vice Chair, and Members of the Committee:

I am Ron Weiss and I live in Fort Washington. I am the President of the Indian Head Highway Area Action Council, Inc. (IHHAAC).

I submit this testimony in support of HB 560, which repeals Maryland’s sales and use tax exemption for qualified data center personal property and repeals the authority for counties and municipalities to reduce or eliminate personal property tax assessments for qualified data center personal property.

Why repeal is warranted

1) The tax benefit is large for data center developers and operators because the exemption applies to a broad set of equipment, including power infrastructure, while the job thresholds for qualification are comparatively modest.

Under the law being repealed, a “qualified data center” can qualify with as little as \$2 million in equipment investment in a Tier I area (or \$5 million elsewhere) and the creation of at least five qualified positions. For a capital-intensive land use with major infrastructure impacts, these thresholds are low relative to the scale of the subsidy and the scale of the burden shifted onto residents and other businesses.

2) The exemption covers a very broad set of equipment, including power infrastructure

The definition of “qualified data center personal property” being repealed is expansive. It includes not only servers and networking equipment, but also HVAC systems and “equipment necessary for the generation, transformation, transmission, distribution, or management of electricity,” including exterior substations, generators, UPS systems, and batteries. In practice, that means the tax preference can subsidize extensive behind-the-meter power infrastructure that is at the heart of today’s local controversies about reliability, emissions, and community impacts.

3) The structure allows long-running exemptions

The exemption is administered through an eligibility certificate that must be renewed annually, but can be renewed for up to 10 consecutive years, and up to 20 years if the

investment reaches \$250 million. This is not a short-term, targeted incentive. It is a long-duration tax expenditure.

4) It pressures counties and municipalities to “compete” by giving away the local tax base

Current law authorizes a county or municipal corporation to reduce or eliminate the assessment percentage for qualified data center personal property. In Prince George’s County, where residents are debating zoning and siting rules for data centers, this kind of local tax competition is counterproductive. It encourages rapid expansion while shrinking the local fiscal capacity needed for planning, permitting, enforcement, emergency services, and infrastructure.

Why this matters for Prince George’s County

Prince George’s County is actively grappling with where, and under what standards, data centers should be allowed. State tax incentives that subsidize the most equipment-heavy components of data centers tilt the playing field toward faster buildout, larger footprints, and greater electric demand, even when the community is asking for a more cautious, infrastructure-first approach. Repealing these exemptions does not ban data centers. It simply stops the State from subsidizing them at a time when grid capacity, rate impacts, and local compatibility are major and unresolved concerns.

Request

For these reasons, I respectfully ask for a **Favorable Report** on HB 560.

Thank you for the opportunity to submit testimony.

HB0560_Exemptions Data Center Repeal_FAV_ClimateCC

Uploaded by: Sonia Demiray

Position: FAV



HB 0560 - SUPPORT

Sonia Demiray
Climate Communications Coalition
sonia@demirayink.com
202-744-2948

HB 0560

**Sales and Use Tax and Property Tax –
Exemptions for Data Centers - Repeal**

Ways and Means Committee
February 12, 2026

Dear Chair Wilkins and Committee Members:

The Climate Communications Coalition is a Maryland-based grassroots climate and environmental justice non-profit, a member of the Mid-Atlantic Justice Coalition, and of the Maryland Climate Justice Wing, among others. The Climate Communications Coalition strongly supports HB 0560.

A wave of hyper-scale data centers is negatively impacting Maryland, making use of an outdated 2020 tax exemption, which has cost Marylanders close to \$22.2 million amidst state budget woes. The fact is that this voracious trillion-dollar industry does not need sales and use, or property tax exemptions. The industry needs to ensure that they have inordinate amounts of energy and water for their operations.

We urge you to repeal the exemptions which are fueling a series of crises across our state:

- 1) Marylanders, during this very cold winter, are struggling to afford astronomic power bills inflated by data center growth. Prices are only projected to rise further with additional infrastructure requirements for data centers;
- 2) A looming health crisis for Marylanders exposed to the toxic fumes from diesel generators -a Group One Carcinogen as established by the World Health Organization - in addition to noise, light, and water pollution. Data Centers should be located in areas away from communities that offer sufficient 100% clean energy and water;
- 3) Water insecurity: data centers require more water than we have available which will impact our communities, biodiversity, economy, agriculture, and streams; and,
- 4) Exacerbating the climate crisis by deviating Maryland's Clean Energy Transition through the expansion of polluting fossil and bio-fuel use, land conversion, in addition to impacting biodiversity with noise and light pollution.

We respectfully request a favorable report on HB 0560.

###

HB0560 written testimony 2026.pdf

Uploaded by: Stephanie Saxton

Position: FAV

Maryland General Assembly
100 State Circle
Annapolis, MD 21410

February 10th, 2026

Dear Members of the General Assembly:

I am writing to ask the delegates vote favorably on HB0560, “Sales and Use Tax and Property Tax - Exemptions for Data Centers – Repeal.” As a Maryland and Baltimore City taxpayer, I am concerned about data centers entering Maryland because of the environmental impacts, and the cruelty and inequality that artificial intelligence is presently facilitating. It is well documented that data centers are using an unprecedented amount of [precious natural resources](#), and causing both [material and noise pollution](#). A report from the BBC (linked in the prior sentence) notes that residents near data centers were unable to drink their water. For what societal benefits are these centers using vast amounts of resources? While companies are promising a utopian future, or [the end of labor](#), the present uses of artificial intelligence do not live up to the hype, and in some cases, the only use is cruelty. Early reports from [MIT](#), [Forbes](#), and [others](#), suggest the AI investments are not panning out, and its ability is over-promised. Federal government officials are [reportedly using AI](#) to stalk and intimidate citizens. Young girls around the United States [report](#) being bullied by sexually explicit AI content, and there are dozens of ongoing [lawsuits against AI companies](#) whose chatbots drove young people to overdose and suicide.

Moreover, as a college professor, the disturbing trend of Artificial Intelligence, and the data centers that support them, has changed college education for the worse. My and my peers’ research has been stolen by AI companies, training bots without compensation or consent. My students report either feel like the recent explosion of AI in all facets of the internet feels non-consensual, or they use AI to write patently false things in papers. AI and its data centers are a parasite on education. Delegates have a chance to slow this spread of data center parasitism.

I do not want to live near data centers and feel the burden on my energy bills, water quality, and noise pollution. I do not want AI to expand into degrading privacy, art, and knowledge. **I encourage all to vote yes, and support HB0560.**

Sincerely,
Dr. Stephanie Saxton

2026 Written Testimony -HB0560 - S. McCutchen.pdf

Uploaded by: Susan McCutchen

Position: FAV

February 10, 2026

Written Testimony in Favor of HB0560 – Ways and Means – Sales and Use Tax and Property Tax - Exemptions for Data Centers – Repeal

To: Ways and Means Committee

I am submitting testimony as an individual. I am in support of HB0560, sponsored by Delegate Palakovich Carr, et al. This bill concerns repealing an exemption from the sales and use tax for certain sales of certain personal property for use at certain qualified data centers under certain circumstances; and repealing the authorization for a governing body of a county or municipal corporation to reduce or eliminate the assessment of certain personal property used in certain qualified data centers.

There are numerous reasons this bill should receive a favorable report. These include:

1. Qualified data centers are projects of billionaires. By definition, they do not need to receive tax exemptions.
2. Qualified data centers are for humans, our natural resources (land, water, air), water and electric power utilities, and the economy (especially of residents). Ultimately, they are bad for Maryland. The construction of qualified data centers should be discouraged and not financially encouraged.
3. Qualified data centers primarily support AI and are used for surveillance; fact, not conspiracy theory. No surveillance entity should be in Maryland, nor should they receive tax exemptions. For example, Amazon Web Services has data centers that are facilitating Immigration and Customs Enforcement (ICE) operations. This should not be allowed in Maryland.

These are just a few points about why HB0560 should receive a favorable vote and moved out of committee. Thank you for your consideration of my input.

Sincerely,

Susan R. McCutchen
5404 Spring Road
Bladensburg MD 20710
tel: 301-699-9035

DCA Opposition Testimony - HB560.pdf

Uploaded by: Andrew Zirkle

Position: UNF

House Ways and Means Committee

February 12, 2026

House Bill 560 - *Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal*

POSITION: OPPOSE

The Data Center Alliance of Maryland (DCA-MD) is a coalition of partners dedicated to responsibly advancing a positive vision of the data center industry in Maryland. The Alliance reflects a broad set of perspectives, including companies that build and operate data centers, labor and workforce organizations, technology and supply chain firms, energy and infrastructure partners, and other civic and community voices focused on responsible development. The Alliance works to improve and align public policies to support a dynamic data center economy, educate Marylanders on the economic and fiscal contributions of data center development, and track industry innovations and advise stakeholders on best practices. The Alliance respectfully submits this testimony in opposition to House Bill 560.

House Bill 560 would repeal the sales and use tax exemption for certain sales of qualified data center personal property for use at qualified data centers and would repeal the authorization for counties and municipal corporations to reduce or eliminate the assessment of certain personal property used in qualified data centers.

We are concerned that repealing these provisions would materially weaken Maryland's competitiveness for major infrastructure investment that is highly mobile within the region. Data centers are capital-intensive, planned years in advance, and evaluated based on long-term operating costs and tax treatment. Some projects that are currently in development were planned with the expectation that the sales tax exemption passed in 2020 would remain in effect throughout the development cycle. Changes that eliminate an established incentive framework can shift projects to competitor states, taking with them construction activity, permanent jobs, tax revenue, and long-term growth in the commercial tax base.

Further, a stable and predictable policy environment is especially important for phased projects and expansion decisions. Removing these provisions increases uncertainty for projects already considering Maryland and sends a signal that the State may change core investment assumptions after a project enters the development pipeline. That uncertainty can discourage investment ultimately deter projects, leaving the state with no revenue from developments that ultimately never materialize. For these reasons, we request an unfavorable report.

For more information contact:

Andrew Zirkle

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DCAMD.com

SB0560 -- Sales and Use Tax and Property Tax - Exe

Uploaded by: Brian Levine

Position: UNF



House Bill 560 -- *Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal*
House Ways and Means Committee
February 12, 2026
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes House Bill 560 -- *Sales and Use Tax and Property Tax - Exemptions for Data Centers – Repeal*.

House Bill 560 repeals sales and use tax exemptions used for the attraction of data center development in Maryland.

It is important, both economically and fiscally, that Maryland remains an attractive location for data center development. Data centers generate substantial, stable tax revenue, and their significant capital investments strengthen local property tax bases, increase personal property tax collections, and support income tax revenues from jobs created during both construction and ongoing operations. These revenues help fund schools, public safety, and critical community infrastructure, all while placing far fewer demands on local services than most other commercial or residential development.

Beyond the direct tax benefits, eliminating incentives for new data center projects would place Maryland at a competitive disadvantage at a time when innovation and digital capability are driving economic growth. Data centers form the digital backbone of high-growth industries such as cybersecurity, life sciences, artificial intelligence, and advanced computing. Restricting their development sends a signal to these sectors that the State is not committed to supporting the infrastructure required for their success. Meanwhile, other states are actively competing for these projects, and imposing a moratorium would discourage future technology investment and undermine long-term economic opportunity.

For these reasons, the Montgomery County Chamber of Commerce opposes House Bill 560 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce (MCCC), on behalf of its members, champions the growth of business opportunities, strategic infrastructure investments, and a strong workforce to position Metro Maryland as a premier regional, national, and global business location. Established in 1959, MCCC is an independent, non-profit membership organization.

Brian Levine | Vice President of Government Affairs
Montgomery County Chamber of Commerce
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HB0560_UNF_MTC_Sales & Use Tax & Property Tax - Ex

Uploaded by: Drew Vetter

Position: UNF



House Ways and Means Committee

February 12, 2026

House Bill 560 – *Sales and Use Tax and Property Tax – Exemptions for Data Centers – Repeal*

POSITION: OPPOSE

The Maryland Tech Council (MTC), with over 800 members, is the State’s largest association of technology companies. Our vision is to propel Maryland to be the country’s number one innovation economy for life sciences and technology. MTC brings the State’s life sciences and technology communities into a single, united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of **opposition** for House Bill 560.

House Bill 560 proposes to fully repeal the sales and use tax exemption for purchases of qualified data center personal property, as well as the authority for counties and municipalities to reduce or eliminate the assessment of such property. This exemption has played a critical role in positioning Maryland to compete for large-scale digital infrastructure investments—investments that create high-wage jobs, expand the state’s innovation ecosystem, and support every sector of the modern economy.

This policy is still new and already working. It should not be dismantled at the very moment Maryland’s data center industry is emerging. The underlying incentive was enacted only recently. In 2020, Maryland passed Senate Bill 397, which created a sales and use tax exemption for qualified data center personal property, effective July 1, 2020. To qualify, a data center must invest significant capital—at least \$2 million in Tier 1 areas or \$5 million elsewhere—and create at least five new high-quality jobs. These requirements were deliberately designed to ensure the state realized meaningful economic benefit before any tax advantage was provided. Since its enactment, the exemption has functioned exactly as the General Assembly intended: it has placed Maryland on the map in a highly competitive national landscape for data center recruitment. The Maryland Department of Commerce has established the certification process, and companies have begun making investment decisions based on Maryland’s long-term commitment to this incentive.

Repealing the exemption now would not only reverse that commitment—it would signal to global investors that Maryland is an unreliable partner. Data center site selection is extraordinarily sensitive to tax policy. States like Virginia, Ohio, Texas, and Arizona have seen billions of dollars in investment because they maintain stable, competitive incentive frameworks. Maryland, by contrast, is only at the beginning stages of developing this industry, and House Bill 560 risks halting that progress before it has a chance to mature.

Data centers underpin nearly every modern industry, including biotech R&D, artificial intelligence, autonomous systems, fintech, cybersecurity, telemedicine, and cloud-based enterprise operations. If Maryland intends to remain a leader in technology, it must maintain the infrastructure environment required to support that growth. The General Assembly made a

forward-looking decision in 2020 to position Maryland as a competitive destination for data centers. The industry is only now beginning to form and expand, and undoing the exemption at this early stage would squander the economic development gains the state is just starting to achieve.

For these reasons, the MTC respectfully urges the Committee to **issue an unfavorable report on House Bill 560.**

For more information call:

Andrew G. Vetter
J. Steven Wise
Danna L. Kauffman
Christine K. Krone
410-244-7000

HB 560_MDCC_Sales and Use Tax and Property Tax-Exe

Uploaded by: Hannah Allen

Position: UNF



House Bill 560

Date: February 12, 2026

Committee: House Ways & Means

Position: Unfavorable

Founded in 1968, the Maryland Chamber of Commerce (the Chamber) is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 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.

House Bill 560 (HB 560) would repeal Maryland's existing sales and use tax exemption for qualifying data center equipment, effectively removing a tax incentive that was enacted in 2020 to attract data center investment to the state.

In 2020, the legislature passed, as part of a deliberate, bipartisan effort, SB 397 to attract large-scale digital infrastructure investment to Maryland. That exemption is only now beginning to function as intended. Data center projects involve long planning horizons, substantial upfront capital investment, and multi-year site selection processes. Repealing the exemption at this stage would undercut projects that are just coming online and send a troubling signal to prospective investors that Maryland is unwilling to allow economic development incentives sufficient time to demonstrate results.

Maryland is competing aggressively with neighboring and peer states for data center investment. HB 560 risks positioning Maryland as hostile or uncertain toward data center development at a moment when demand for digital infrastructure is accelerating nationwide. Beyond the immediate economic impact, the broader policy concern is predictability. Businesses make siting and investment decisions based on the expectation that state policy frameworks will remain stable long enough to evaluate effectiveness. Repealing an incentive shortly after it begins producing results undermines that predictability and raises concerns well beyond the data center sector.

Data centers bring significant capital investment, construction activity, high-skilled jobs, and long-term commercial tax base growth. Maryland should carefully evaluate the full economic and competitiveness implications before reversing course on an incentive that has not yet been fully realized.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report** on **HB 560**.

HB 560 OPP

Uploaded by: Jason Ascher

Position: UNF



**7050 Oakland Mills Road
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**Phone: 410-290-3890
www.midatlanticpipetrades.org**

Ways and Means Committee

To: Delegate Jheanelle Wilkins, Chair; Delegate Jessica Feldmark, Vice Chair
From: Jason Ascher, Political Director – Mid-Atlantic Pipe Trades Association

OPPOSE HB 560 - Sales and Use Tax and Property Tax - Exemptions for Data Centers – Repeal

On behalf of the Mid-Atlantic Pipe Trades Association, I must respectfully oppose House Bill 560.

We represent thousands of skilled union pipefitters, plumbers, welders, HVAC technicians, and related trades who build and maintain the mechanical, thermal, and energy infrastructure required by modern data centers. Our members are actively supporting projects Maryland is courting today, including the Frederick data center campus and the envisioned Calvert Cliffs hyperscale data center campus, both of which are expected to be major drivers of high-wage union construction work and long-term infrastructure investment.

Many of these projects are already moving through complex regulatory processes involving local governments, State agencies, and the Public Service Commission, particularly where generation, transmission, and grid reliability are implicated. House Bill 560 would repeal existing tax incentives midstream, after investment and siting decisions have been made under current law. From a labor and construction perspective, this level of uncertainty is anti-growth and risks discouraging projects already under active review.

We want to be clear: the Pipe Trades understand the need for responsible regulation of the data center sector, including appropriate revenue considerations. However, an abrupt repeal of existing incentives—without a transition or coordination with ongoing legislative and PSC proceedings—undermines investment certainty and Maryland’s competitiveness. Large-scale data centers support thousands of skilled union jobs and are closely tied to the State’s broader challenges around energy infrastructure and grid modernization. Discouraging investment through sudden tax policy changes does not resolve those challenges; it shifts projects and jobs elsewhere.

For these reasons, the Mid-Atlantic Pipe Trades respectfully request an UNFAVORABLE REPORT on House Bill 560.

Sincerely,

Jason Ascher
Political Director
Mid-Atlantic Pipe Trades Association

Plumbers and Gasfitters Local 5 – Lanham, MD
Plumbers and Steamfitters Local 10 – Richmond, VA/Roanoke, VA
Plumbers and Pipefitters Local 110 – Norfolk, VA
Plumbers and Pipefitters Local 74 – Newark, DE

Plumbers and Steamfitters Local 486 – Baltimore, MD
Steamfitters Local 602 – Capitol Heights, MD
Road Sprinkler Fitters Local 669 – Columbia, MD

HB560 - Letter of Concern - Unfavorable

Uploaded by: Jennifer LaHatte

Position: UNF



Wes Moore | Governor
Aruna Miller | Lt. Governor
Harry Coker, Jr. | Secretary of Commerce

DATE: February 12, 2026
BILL NO: House Bill 560
BILL TITLE: Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal
COMMITTEE: House Ways and Means Committee
POSITION: Letter of Concern

The Maryland Department of Commerce (Commerce) would like to express concerns with House Bill 560 - Sales and Use Tax and Property Tax - Exemptions for Data Centers – Repeal.

Bill Summary:

House Bill 560 repeals the sales and use tax exemption for qualified data centers as well as enabling language for local jurisdictions to offer property tax exemptions for such data centers. The bill does not provide grandfathering language or provisions gradually phasing out the exemption, ending it for all current and future projects on July 1, 2026.

Background:

Chapter 640, Acts of 2020 authorized a sales and use tax exemption for the sale of qualified data center personal property for use at a qualified data center. To be certified as a qualified data center, businesses must apply to and be certified by Commerce. A business is eligible for a 10-year consecutive benefit period, subject to an annual renewal. Within the first three years after submitting an application, the business must create at least five qualified positions and make a minimum investment of:

- At least \$2 million in qualified data center personal property for a business located within a Tier 1 Area, and
- At least \$5 million in qualified data center personal property for a business located in any other area of the State.

The benefit period expands to 20 years, subject to annual renewal, if the business invests at least \$250 million in qualified data center personal property within the first ten years after submitting an application.

To date, Commerce has certified ten qualified data centers in Maryland.

Rationale:

Commerce’s concerns with House Bill 560 center on the immediate repeal of the sales and use tax exemption and broader repercussions for Maryland’s information technology sectors — the long-term success of which remains a vital component of the state’s workforce development and economic growth strategy.

First, without grandfathering language or provisions to keep current exemptions in place, companies that have made investments or commitments to invest several million dollars and hired workers with the promise of receiving the tax exemption for several years, in some cases up to 20 years, will suddenly have that benefit revoked. This repeal would significantly disrupt

business operations that add value to Maryland's economy. For example, the master planned 2,100 acre Eastalco Project (formerly marketed as Quantum Loophole) in Frederick County, projected to support approximately 15,500 jobs and over \$1 billion in employee compensation statewide, is mid-development with three sites already under construction. By suddenly losing this exemption, these businesses would effectively face an unanticipated 6 percent cost increase on IT hardware, potentially leading them to cancel half-built—and community approved—infrastructure investments. Alternatively, companies may relocate these data center developments to other interconnected states, creating a scenario where Marylanders feel the strain of added energy costs without reaping any of the workforce or economic benefits.

Second, disincentivizing sustainable data center development risks losing momentum in Maryland's advanced biohealth, quantum, and information technology industries. As Governor Moore has shown through his letter to the PJM Board of Managers as well as his work with the Northeast States Collaborative, the Moore-Miller Administration is committed to managing data center projects responsibly, and will not allow the cost of new data centers to be passed on to Maryland ratepayers. However, the blanket removal of the State's tools to attract data center investment, as proposed in HB 560, will restrict necessary infrastructure growth. Thriving innovation industries require local digital infrastructure that minimizes latency and computing costs. If this is unavailable in Maryland, not only will the state and local jurisdictions risk losing direct revenue from data center jobs, property taxes, and capital expenditures, but jeopardize the future growth of lighthouse sectors that support tens of thousands of jobs statewide.

In general, legislation that repeals existing business incentives without warning sends a message to businesses, site selection consultants, and others, that they are not welcome in Maryland. Commerce has worked diligently to change this message. Maryland has the labor force, institutions, infrastructure, and business network needed to make Maryland's economy more competitive and resilient, but the state needs every tool available to support industry sectors we believe hold the greatest potential for growth and therefore return on its investments.

HB0560-WM_MACo_OPP.pdf

Uploaded by: Kevin Kinnally

Position: UNF



House Bill 560

Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal

MACo Position: **OPPOSE**

To: Ways and Means Committee

Date: February 12, 2026

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** HB 560. This bill repeals counties' authority to exempt specified data center equipment from the local personal property tax. The bill also repeals the State sales and use tax exemption for qualified data center personal property.

Under current law, counties may choose whether to exempt certain data center equipment from the local personal property tax. HB 560 extinguishes that local option and strips counties of a practical tax tool for managing the local impacts of a burgeoning industry.

Counties need flexibility to make local tax decisions based on local conditions. Data center projects can carry real local costs tied to roads, public safety, infrastructure capacity, and long-term service demands. Counties need the ability to decide whether a tax incentive makes sense locally and, if so, on what terms.

This bill eliminates local discretion and prevents counties from weighing local costs, local benefits, and long-term budget impacts when significant projects come forward.

When the State removes local tax discretion, counties lose a practical way to align incentives with local needs and to weigh the local fiscal tradeoffs of significant development projects that can shape long-term service and infrastructure obligations.

HB 560 narrows local decision-making over a local revenue source and reduces county flexibility in managing large-scale development. Accordingly, MACo urges the Committee to issue an **UNFAVORABLE** report on HB 560.

2026-2-10_DCC Comments_MD HB 560_Oppose.pdf

Uploaded by: Khara Boender

Position: UNF

February 10, 2026



Maryland General Assembly
House Ways and Means Committee
Attn: Sara Hartman, Assistant to Chair Wilkins
130 Taylor House Office Building
131 Taylor House Office Building
Annapolis, MD 21401

RE: HB 560, “Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal” (Unfavorable)

Dear Chair Wilkins and Members of the House Ways and Means Committee:

On behalf of the Data Center Coalition (DCC), I am writing to request an unfavorable report of HB 560. DCC is the national membership association for the data center industry, and our membership is comprised of leading data center owners and operators, as well as companies that lease large amounts of data center capacity.¹ Data centers provide the digital infrastructure that keeps us connected in our daily lives and supports many sectors of the 21st century innovation economy, including financial services, advanced manufacturing, cybersecurity, healthcare, artificial intelligence, and other key industries.

HB 560 would repeal the sales and use tax and property tax exemptions for data centers that were just established by SB 397 in 2020. This law and other legislation advanced in the past several years has sought to establish a competitive market that provides the certainty and predictability required to attract and grow long-term data center capital investment and data center jobs in Maryland. HB 560 runs counter to those efforts just as new projects and investment are just beginning to land in the state. At a time when Maryland is experiencing lagging economic growth and facing significant budget constraints, HB 560 would send a signal to all industries, not just data centers, that Maryland may not stand behind its long-term economic development commitments. Furthermore, HB 560 fails to provide grandfathering protections for businesses that have already qualified for the exemption and deployed capital within the state. By jeopardizing existing exemptions, the bill broadcasts a troubling message: that Maryland lacks the tax and regulatory stability essential for sustaining high-capital investments.

Data centers represent large capital investments and support a wide range of roles in the broader local service ecosystem, including construction professionals, engineers, HVAC technicians, electricians, and local hospitality and catering businesses. In fact, each job in a data center supports six jobs elsewhere in the economy. A report from PwC found that in

¹ Public testimony and written comments submitted by DCC do not necessarily reflect the views of each individual DCC member. A list of current DCC members is accessible at <https://www.datacentercoalition.org/members>.

2023, the data center industry in Maryland provided 7,780 direct jobs and supported 40,560 jobs in total when considering direct, indirect, and induced effects. The report also found that over that same time, the data center industry contributed \$6.3 billion to Maryland GDP and directly and indirectly generated \$646 million in state and local tax revenues.² Repealing these exemptions abruptly would deter further investments by the data center industry and jeopardize projects that are currently in the planning stages, causing Maryland to lose out on the revenue and job impacts associated with the data center industry. Make no mistake – these are high-wage jobs – the law mandates that to qualify for the sales and use tax exemption for qualified data center personal property, a “qualified job” must be full-time and pay 150% of the state minimum wage.

We appreciate your consideration of these comments and stand ready to serve as a resource as the General Assembly considers legislation impacting the data center industry. We urge the Committee not to advance this legislation.

Respectfully,

Khara Boender
Director, State Policy
Data Center Coalition
khara@datacentercoalition.org

² PwC, “Economic Contributions of Data Centers in the United States, 2017-2023,” February 2025, <https://www.centerofyourdigitalworld.org/2025-impact-study>.

HB0560 - Data Center Sales Tax - Testimony Letter

Uploaded by: Tom Ballentine

Position: UNF



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.