

State Policy Solutions *for* Data Center Impacts

Tax, Employment, and Economic Impacts

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Introduction

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State Climate Policy Network



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- State and local elected officials
- NGO advocates
- Researchers
- State agency staffers
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- Business leaders

... working on state climate policy

www.climate-xchange.org/network

Pro Bono Policy Assistance

We specialize in nonpartisan state climate policy design and analysis.

Reach out to kristen@climate-xchange.org with your requests on:

- **Example states** and **model rules** for a given policy
- **Gap analysis** of your state's climate policy landscape
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State Policy Solutions for Data Center Impacts: *Tax, Employment, and Economic Impacts*



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Agenda

1. Impacts of Data Center Subsidies
2. State Policy Tools for Regulation
3. Q&A

GOOD JOBS FIRST: a national nonprofit promoting corporate and government accountability in economic development.

- Advocate for transparency in the use of economic development incentives
- Promote economic development reforms
- Reveal corporate misconduct
- Find us at:
 - goodjobsfirst.org
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The Toolkit

- **Goal:** Provide [strategies, analysis, bill elements, and examples](#) for regulating data centers' impacts on tax, employment, and the economy
- **Use case:** State policymakers and advocates utilize policy strategies that work for [their state's specific priorities](#)
- **Context:** This webinar covers tools from [one of five Climate XChange toolkits on data center regulation](#). Because data centers impact so many areas, their regulation should be considered **holistically**.



Key Terminology

Subsidies:

- Public **financial assistance** to individual companies.
- Biggest subsidies are **tax breaks**: sales and use tax exemptions and property tax breaks for data centers.
- Big deals get **multiple subsidies**.



State Jurisdiction

State legislatures hold legal jurisdiction over most data center subsidy programs—both in creating these programs and in setting the standards that govern them.

Incentive Type	Created By	Incentive Awards Approved By	Administered By
Sales and use tax exemptions	State legislators	Commerce department or department of revenue	Commerce department or department of revenue
Property tax abatements	State legislators	Mostly city or county lawmakers; or public benefit corporations (approval of individual deals under a state-enabled program)	Local economic development offices
Favorable electricity/water rates	Utility companies	Public Utility Commissions	Utility companies

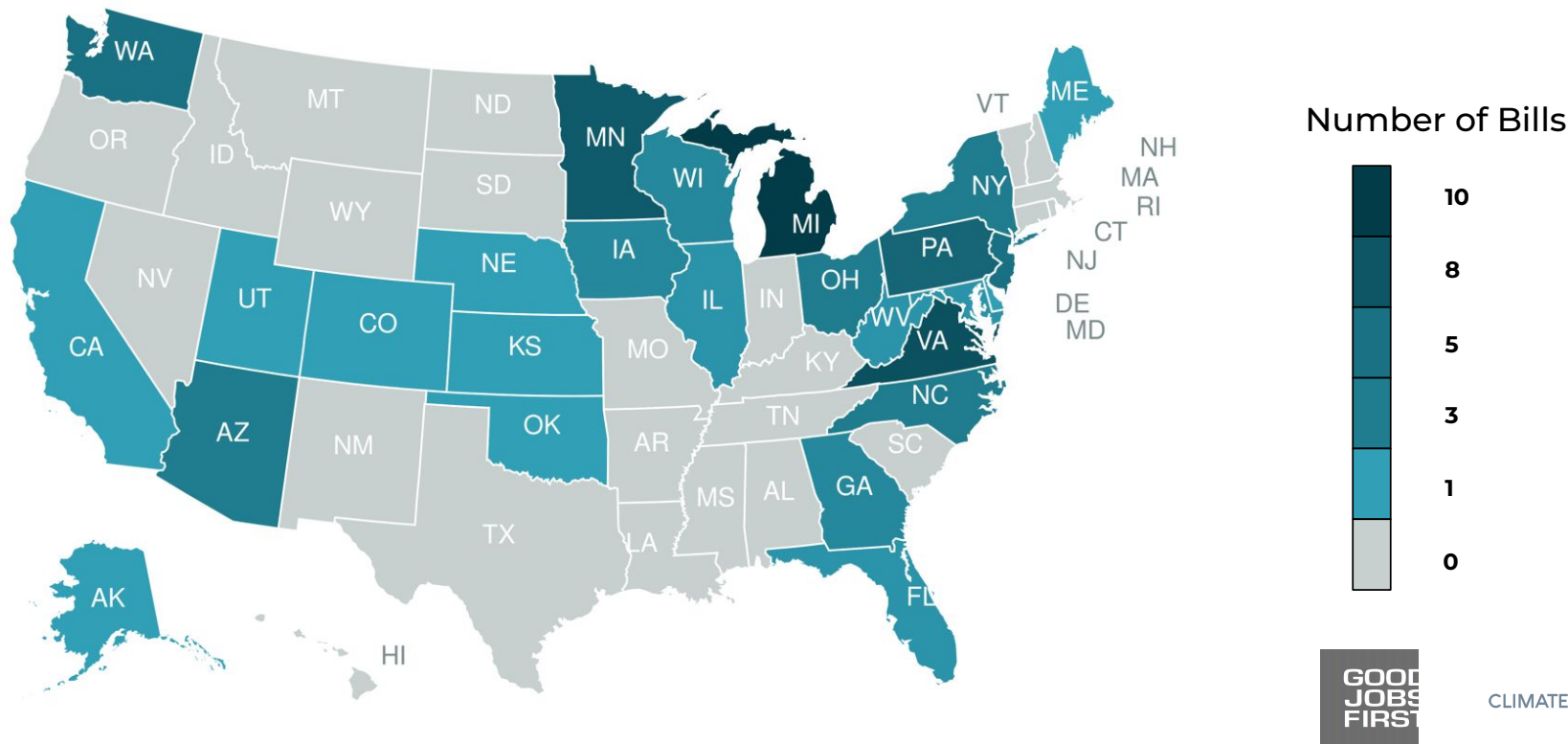
The Problem

40 states offer **billions of dollars** in state and local subsidies to data centers under a system that impacts states in many ways.

- Subsidy costs undermine state and local budgets.
- Minimal transparency and reporting requirements obscure the full extent of subsidy impact.
- Subsidies are often offered with minimal requirements (jobs, caps, investment requirements)

2026 Legislative Recap

Regulating Tax, Employment, and Economic Impacts of Data Centers

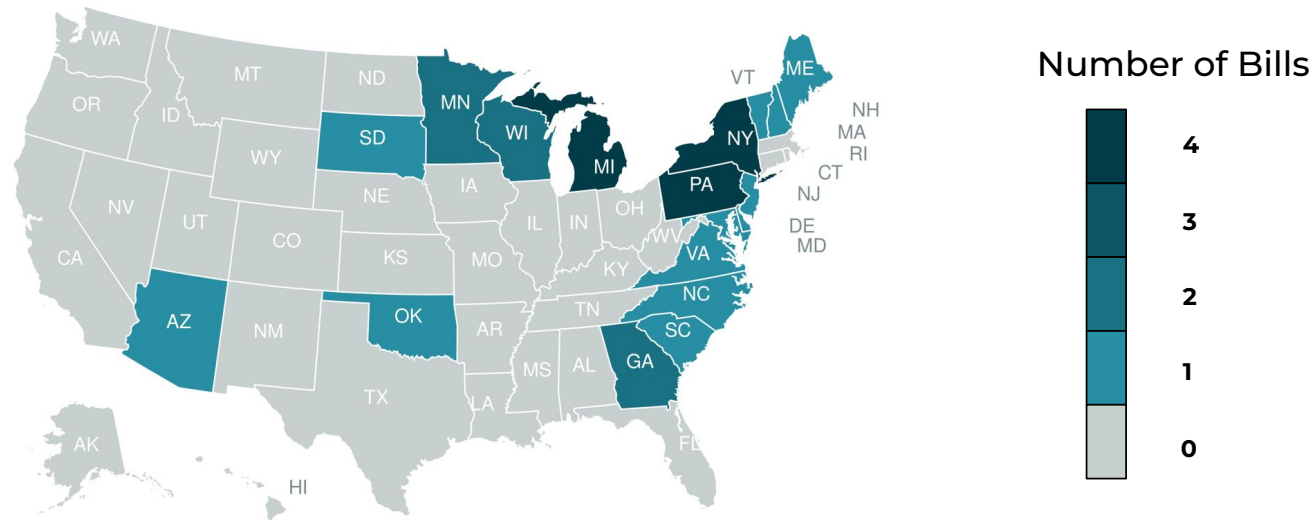


Strategies to Limit Tax, Employment, and Economic Impacts of Data Centers

	Strategy 1	Imposing moratoria on data centers until states can fully understand their economic and fiscal impacts
	Strategy 2	Pausing or sunseting data center subsidies
	Strategy 3	Establishing data center subsidy reforms
	Strategy 4	Levying new taxes and fees on data centers
	Strategy 5	Preserving community choice

Strategy #1: Moratoria on Data Center Construction

Imposing moratoria on data centers until states can fully study their economic and fiscal impacts



Resource Highlight: 25 questions for policymakers to ask about data center development during a moratorium period. (The Urban Institute)

Strategy #2: Pausing or Sunsetting Data Center Subsidies

Policymakers can repeal or curtail data center subsidies through **legislative action** or the governor's **executive powers**.

- Immediate **sunset** of data center subsidies
- **Pause** the subsidy and:
 - Study if data center subsidies should be eliminated or reformed
 - Perform fiscal impact analysis and cost-benefit analysis of subsidies
 - Create strict guidelines

Pausing Subsidies for New v. Existing Data Center Projects:

Explore legal possibilities to ensure that moratoria and sunsets apply to new data center applications but also to existing projects already benefiting from the subsidies.

Strategy #3: Subsidy Reforms

If states decide to keep data center subsidies, they need to set strict program rules.

Impose **Subsidy Cost Controls**

- Caps
- Disqualify from exemption: crypto mining facilities, utility purchases, construction material purchases
- Subsidy for initial construction phase only
- Prohibit subsidy layering
- Shorten eligibility period
- Require a state performance evaluation

Require **Job Quality Standards**

- Local hiring
- Living wages and healthcare coverage
- Direct employment only
- Construction-phase standards
- Labor Peace Agreements (LPAs) and Project Labor Agreements (PLAs)

Strategy #3: Subsidy Reforms

Require commitments to **energy affordability** and the **environment**

Require data centers to:

- Utilize clean energy
- Meet certain on-site energy efficiency standards
- Pay the full cost of serving their electric demand
- Locate with other energy users
- Flexibility in data center operations
- Meet certain water usage standards

Create strong **enforcement** requirements

- Require data centers to report data to a state agency
- Clawback provisions
- Clawback transparency

Require **disclosures** and effective **civic engagement**

- Pre-approval disclosures
- Post-approval project level and program disclosure
- Require community engagement
- Prohibit non-disclosure agreements (NDAs)

Strategy #4: Levying new taxes and fees on data centers

1. Levy new taxes on data centers' equipment purchase, property taxes, or electricity use

2. Levy fees on data centers and direct funds toward impacted communities and causes

Legislative Examples

Virginia [SB 30 \(2026 Budget\), Item 3-5.24 #1c](#)

From July 1, 2026 until July 1, 2028, data centers will pay an energy usage tax of 1.1 cents per kilowatt-hour of electricity consumed monthly. Revenue from the fee will be deposited into the general fund, and capped at \$600 million annually.

Illinois [HB5513](#) / [SB4016](#) (2026, proposed)

Would create the Hyperscale Data Center Public Benefits and Affordability Fund, funded by annual fees based on data centers' peak demand (up to \$12 million annually). Funding would support state programs such as: Low-Income Home Energy Assistance, Home Weatherization, and Utility Disconnection Avoidance.

Strategy #5: Preserving Community Choice

Opting for community benefits agreements (CBAs) and community benefits ordinances (CBOs)

Three key safeguards during this process:

- The data center development process should be **slow** and **transparent** enough to accommodate community inputs and agreements.
- Data center development companies should be willing to **negotiate in good faith**.
- Communities must have **technical support** for negotiating and drafting the agreements.

Legislative Example

Illinois [HB5513](#) / [SB4016](#) (2026, proposed)

Requires data center developers to enter into legally binding, publicly disclosed community benefits agreements with local advisory boards or coalitions. The agreements must prioritize investments that benefit residents of a host community, including through workforce development, community improvements, and environmental monitoring. Developers will create a Community Benefit Fund, operated and managed by the community.

See the NAACP's [Community Benefits Agreement Template](#), Connect Humanity's [Negotiation Guide](#), AI Now Institute's [Considerations for Community Benefits Agreements](#), and Climate Mayors' [Data Centers and the Climate Landscape](#).

Concluding Thoughts

- The data center industry is **expanding too rapidly** for fiscal regulations to keep pace
- The economic benefits from data centers are **overstated** and **lack clarity**
- States would greatly benefit from taking the time to **fully study impacts**, but where that is not possible, **substantial reforms** are needed
- **Communities** should be **at the center** of any decision making

See Climate XChange's [full suite of data center regulation toolkits](#) on water, transparency, GHG emissions, and energy reliability and affordability.

[Sign up here to get updates on our data center releases.](#)

Explore the [full toolkit here](#).

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Reach out with questions: kristen@climate-xchange.org.

Q&A



Thank you for joining!

**Reach out to
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additional questions!**

