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NetChoice
Defending Free Speech and Free Enterprise Online

Idaho HB 315, regarding sales tax exemption for information technology equipment

OPPOSING TESTIMONY

March 25, 2025

Sen. Doug Ricks, Chair
Senate Local Government & Taxation Committee
Idaho Legislature

Chairman Ricks and members of the committee:

Thank you for allowing me to testify before your committee in opposition to HB 315, which would effectively extinguish Idaho's sales tax exemption for data center equipment.

Six years ago, I testified before this committee in a joint hearing with the House Revenue & Taxation Committee, on legislation to help Idaho compete for large-scale data centers that had yet to locate here. After many hearings and meetings, Idaho passed its sales tax exemption in March 2020 for a new data center that invests $250 million and creates 30 new jobs in Idaho.

As a result of the tax exemption, Meta announced an $800 million data center in Kuna. And as I predicted six years ago, a data center of that size is now employing several hundred construction workers, and will create 150 highly-paid technical operations jobs next year. In addition to new economic activity and income, this data center will be a significant annual contributor to Ada County property taxes.

Prior to 2020, Idaho had no sales tax exemption program for data centers, and had no large-scale data centers. Colorado is still in that position today, with no sales tax exemption and no large data centers. However, several competing states do have data center sales tax exemptions on equipment, construction costs, or both, as shown in the table below.

	Minimum Investment	Sales Tax Exemptions	Term
Idaho	$ 250 million	Equipment & construction costs	Permanent
Utah	150,000 square feet	Equipment, construction, & electricity	Permanent
Wyoming	$ 50 million	Equipment & construction costs	Permanent
Montana	No minimum	No sales tax	Permanent
Oregon	No minimum	No sales tax	Permanent
Iowa	$ 200 million	Equipment, construction, & electricity	Permanent
Oklahoma	No threshold	Equipment & construction costs	Permanent

	Minimum Investment	Sales Tax Exemptions	Term
Washington	100,000 square feet	Servers & power infrastructure	thru 2048

Today, Idaho is competitive in attracting hyperscale data centers, where long-term certainty of the sales tax exemption justifies billion dollar up-front investments plus hundreds of millions of dollars to upgrade servers every 3-5 years. But HB 315 would take Idaho out of the competition for large data centers that are essential to American competitiveness and economic growth.

I recall a conversation in 2019 where Senators on this committee expressed doubt about the future demand for large data centers. I explained how new data centers are needed every few weeks, to hold all the photos, videos, messages, and documents that Americans upload to the cloud every minute. And I talked about cloud-based applications and services demanded by business, government, and organizations.

Even before we start talking about data center demands from AI, the tech industry is #1 when it comes to investing in America's communities and America's future. Four of the top 6 capital investment leaders last year built data centers (Amazon, Google, Meta, and Microsoft), spending $100 Billion – far more than energy, telecom, pharma, or manufacturing.

President Trump has embraced data centers and AI to grow our economy and beat China. The President said, "*The release of DeepSeek AI from a Chinese company should be a wakeup call for our industries that we need to be laser-focused on competing to win.*"

And President Trump backed that up – by declaring a national emergency because we have "inadequate" energy to power new American data centers and AI. THe President's executive order on "Unleashing American Energy" directs expedited permitting for energy projects, and calls for reviews of any agency action that burdens domestic energy development.

America's tech industry is responding to the challenge, with $300 billion in data center and AI capital spending this year from Amazon, Google, Meta, and Microsoft, plus Apple will spend $500 billion in the next 4 years. That investment will happen in states and communities that welcome data centers because they value the jobs, spending, STEM education, and tax revenue. And it will happen only where utilities are able to supply the power needed.

Thanks to high-speed internet connectivity, data centers and AI can be located anywhere in the country and serve Americans everywhere. Idaho is poised to compete for this development, with its tech-savvy workforce, cool climate, and power capacity.

So the question is, why would Idaho close the door on data center and AI economic development? Especially when data center development followed the sales tax exemption, just like we discussed in this committee six years ago.

Thank you for giving us the opportunity to testify, and I look forward to your questions.

Sincerely,

Steve DelBianco
President & CEO, NetChoice

Optional **The effect of Data Centers on Electric Utility Rates**

Please consider the experience of Dominion Energy – the utility serving more data centers than any utility on the planet. Dominion's CEO explained that Virginia's rates are lower than national averages:

> "On the affordability front, when we compare ourselves to national averages, we have been below the national average for residential customer rates for the last 18 years. Our residential rates have grown by a little bit, more than 1% a year, and our commercial rates by a little less than 1%, since 2010. The rate of inflation over that period has been about 2.6%. Relative to other things that our customers are paying for, our rates are declining."

Moreover, in their 2024 study of Virginia's data center industry, the Joint Legislative Audit Review Commission (JLARC) found that **Virginia ratepayers are *not* footing the bill for data centers**, and that the State Corporation Commission **has the tools to continue to ensure ratepayer protection**.

In a Kansas hearing in this month on a new data center sales tax exemption, the largest public utility in the state testified about electricity rates:

> "Because of their large volume electricity use, these large load customers, including data centers, absorb a greater share of the fixed costs of operating grid infrastructure (power plants, poles and wires), thus lowering rates for all customers "

Water use by data centers

Hyperscale data centers can deploy a range of technologies to remove heat generated by storage servers and AI processors. Cooling the equipment is the most energy intensive portion of the operation, and this is an up-front design decision made based on local factors such as water availability, climate, and elevation.

Most data centers use water-based cooling because it uses far less electricity than the conventional air-conditioning in our homes and offices. For water-based cooling, 80% of water intake is returned to the municipal system that provided the water. Approximately 20% of intake water evaporates into the air above the data center, just like the evaporation of irrigation water and that for reservoirs and swimming pools.

In their 2024 study of Virginia's data center industry, the Joint Legislative Audit Review Commission (JLARC) concluded, "Most data centers use about the same amount of water or less as an average large office building, although a few require substantially more."