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NetChoice
Defending Free Speech and Free Enterprise Online

Kansas SB 51

SUPPORTING TESTIMONY

March 6, 2025

Rep. Adam Smith, Chair
Committee on Taxation
Kansas House of Representatives

Chair Smith and members of the committee:

NetChoice is a trade association of the world's leading online businesses. We are leaders in tech policy in the states, in Washington, in the courts, and in international internet governance organizations.

We ask for your support of SB 51, in order to open Kansas for the large-scale capital investments and job creation that comes from hyperscale data centers.

Data centers of NetChoice members Amazon, Expedia, Google, and Meta enable individuals and businesses to find information, buy and sell, navigate their world, and maintain their memories in stored communications, documents, photos, and videos. Moreover, data centers help keep us connected, while creating jobs and significant economic impacts in our communities, as explained in this 2-minute video:

Americans depend on the internet to be informed, stay connected, and get their work done.

Data centers create tech jobs, from construction teams and engineers, to technicians and facility managers. These investments boost the local economy, while ensuring a better online experience for Americans everywhere.

Data centers are the essential production equipment to deliver these services, so our members are eager to see Kansas join other states trying to attract hyperscale data centers. However, no hyperscale data center has located in states that impose sales tax on data center equipment.

The legislation before you today (SB 51) would make a sales tax exemption available to hyperscale data centers, but only for new and extremely large facilities that invest at least $250 million and create at least 20 new jobs at the data center.

Why should Kansas want to attract hyperscale data centers?

Not every state has the factors that attract data center investment, especially those that already exist in Kansas, such as a deep talent pool, availability of affordable land and reliable energy, proximity to airports, and strong community partners. What's missing is the same tax treatment for equipment that Kansas already offers for other capital-intensive industries, like manufacturing and agriculture.

Hyperscale data centers contribute significantly to local taxes and are strong supporters of education and broadband expansion. The jobs created in fields like engineering, technician, electrical and construction earn competitive salaries.

Tech industry facilities and data centers are #1 in terms of capital investments in the US.

PPI's Investment Heroes report shows *Information and Data Processing* as the top growth sector for US capital investment, increasing by 720% from 2007. In fact, 4 of the top 6 capital investment companies build data centers (Amazon, Alphabet, Meta, and Microsoft), investing $94 billion in 2022 – more than energy, telecom, pharma, or manufacturing.[1] This investment trend will continue – in states that make long-term data center investment a possibility.

Pictured here is Meta's data center campus outside of Columbus, Ohio. The initial structure was 970,000 square feet and cost $750 million.

Construction brought $244 million to the local supply chain and 1,200 construction workers earned $78 million in wages.

Across the street, Google is building a $600 million, 275,000 square foot data center on 440 acres, setting the potential for future expansion.

In states like Missouri, Iowa, Ohio, Illinois, and Nebraska, data centers have been major drivers of investment. A 2022 report from Mangum Economics, ***The Impact of Data Centers on the Iowa Economy***, showed significant results from a growing data center sector, driven by the state's data center incentive programs. Of the more than two dozen data centers, Google, Meta, and Microsoft have large data center campuses in the state.

Data center projects under construction will increase data center investment in Iowa by over 50 percent:

[1] Progressive Policy Institute, Investment Heroes 2022, at https://www.progressivepolicy.org/publication/investment-heroes-2022-fighting-inflation-with-capital-investment/

- Apple constructing a $1.3 billion data center
- Meta Platforms doubling of current footprint, making its Altoona campus the company's largest
- Microsoft doubling its current footprint with two new campuses

In Iowa, direct economic impact in 2021 for the construction and operation of data centers was $934 million, including 2,400 construction jobs, $167 million in construction pay and benefits, 1,100 full-time operational jobs, and $96 million in data center operations pay and benefits.

There are also notable indirect economic ripple effects, estimated in 2021 to be $3.5 billion, including 14,400 jobs and $970 million in pay and benefits. Plus, for each operational data center job created, an additional 9.8 jobs were supported by the data center in non-construction businesses.

It was further estimated that in 2021, indirect economic activity led to $107 million in tax revenue collected by the state and $113 million collected by local governments.

Similarly, the 2022 report from Mangum Economics, *The Impact of Data Centers on the Nebraska Economy*, showed equally impressive economic impacts. NetChoice members Google and Meta Platforms have data center campuses in the state. Major projects under construction in Nebraska include the following, which will double the amount of data center investment in the state:

- Meta Platforms completion of the six-building data center announced in 2018
- The addition of 4 buildings to the campus announced in 2021
- Google completion of a new data center announced in 2019

Direct economic impact in 2021 for the construction and operation of data centers provided $410 million in economic output, including 1,170 construction jobs, $65 million in construction pay and benefits, 490 full-time operational jobs, and $50 million in associated data center operations pay and benefits.

There are also notable indirect economic ripple effects, estimated in 2021 to be $1.4 billion, including 5,400 jobs and $393 million in associated pay and benefits. Plus, for each operational data center job created, an additional 6.3 jobs were supported by the data center in non-construction businesses.

It was further estimated that in 2021, indirect economic activity led to $30 million in tax revenue collected by the state and $31.1 million collected by local governments.

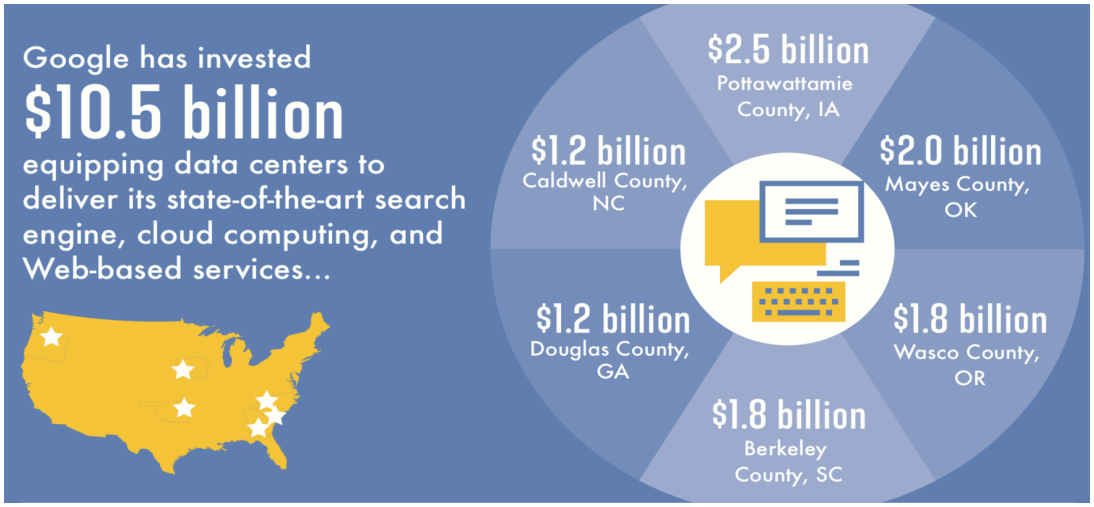
These examples from Iowa and Nebraska are a snapshot of states that have added data center economic development programs and experienced strong economic impacts, increased revenue and job creation.

Based on studies of several states with large data center industries, Mangum has recently described the broader benefits, too:

> Research has shown that data centers share the pool for high-tech labor with industries such as architecture, engineering, computer system design, software, telecommunications, scientific research & development, and technical consulting. The existence of a vibrant data center market helps to attract talent that supports all of these industries.

Large-scale enterprise data centers are now in several other states that extended their sales tax policies on manufacturing and production equipment. Oxford Economics prepared the following infographic to

summarize its study of six Google data centers in rural and suburban counties in Iowa, Oklahoma, Oregon, South Carolina, Georgia, and North Carolina.



Oxford also studied the broader income and economic activity effects of those six Google data centers, finding $750 million in labor income and $1.3 billion in economic activity.

Hyperscale data centers bring Incremental economic benefits ***and*** incremental tax revenue

Not only do high wages in the data center industry offer a vital new employment option, but these centers also are a driving force in the development of renewable energy resources and upgrades to utilities and internet infrastructure. Moreover, data centers generate new income and business taxes, sales taxes on non-exempt purchases, and local property taxes.

For that reason, we encourage Kansas to adopt a "**Here vs Not here**" analysis of whether to extend its sales tax exemptions for manufacturing, farming, and mining production equipment to also apply to data centers. This analysis recognizes the reality that no hyperscale data center has located in states that impose sales tax burdens on data center equipment.

Therefore, the decision to extend sales tax production exemptions still generates incremental tax revenue—despite the sales tax exemption on data center equipment. The first table lists several economic benefits that accrue if the state is successful in attracting hyperscale data centers:

Incremental economic benefits of data centers	Here	Not here
Income & spending by construction workers & contractors	+	0
Income & spending by data center employees	+	0
Revenue for local suppliers, contractors, lodging, and restaurants	+	0
High-tech training and experience for workforce	+	0
Make the state more attractive for tech business and education	+	0

This second table lists several incremental tax revenue opportunities from data center construction and operation—even after establishing a data center exemption:

Incremental tax revenue from data centers	Here	Not here
Personal income taxes paid by employees and contractors	+	0
Corporate income taxes from data center operators & contractors	+	0
Sales taxes on non-exempt equipment and supplies	+	0
Sales taxes on electricity	+	0
Sales taxes on services related to tangible personal property	+	0
Local real estate & personal property taxes	+	0

In 2019, Virginia's Joint Legislative Audit and Review Commission (JLARC) evaluated Virginia's tax incentives for data centers, using confidential tax information from data center taxpayers[2]. JLARC concluded that 90 percent of the investment in data centers would *not* have occurred in Virginia were it not for those tax exemptions. Instead, those investments would have been made in other states that give data center equipment the same tax treatment as equipment used in manufacturing and agriculture.

Over a ten-year period, JLARC's analysis showed that Virginia's state government recovered 75 cents in state tax revenue for every dollar of sales tax that was exempted for data center equipment.[3]

[2] Joint Legislative Audit and Review Commission (JLARC), *Data Center and Manufacturing Incentives, Economic Development Incentives Evaluation Series*. 17-Jun-2019.

[3] JLARC Evaluation, Appendix N: Results of economic and revenue impact analysis, at http://jlarc.virginia.gov/pdfs/oversight/ED_initiatives/datacenters_Appendix%20N.pdf

And after considering *local* taxes, Mangum concluded in its 2020 Virginia Study that, "*the 'cost' of the State data center incentive is only 10 percent of the amount of State sales tax revenue exempted*." [4] At the local level, data centers generated more than $300 million in local tax revenue for Loudoun County, Virginia in 2019. That money reduces everyone else's property taxes while supporting local schools and law enforcement, for example. Now these benefits are spreading to counties across Virginia.

Idaho's legislature adopted a "Here vs Not here" analysis in the Fiscal Note for its 2020 law:

> *Passage of this legislation will have a positive impact on the general fund.*
>
> *This legislation is prospective and is intended to attract business investment not already present in Idaho.*
>
> *Business investment of two hundred and fifty million dollars ($250,000,000) or more will create new jobs, not only to directly support the data centers, but also in construction jobs and indirect jobs.*[5]

Example of tax and tech education benefits from data centers in Loudoun County, Virginia

Loudoun County in northern Virginia reported that property tax revenue from data centers was $735 million in 2023. That was $ 624 million (85%) from personal property tax and $110 million (15%) from real estate tax[6]. Data center taxes have allowed Loudoun county to reduce its real estate property tax rate by 41 cents, while still gaining millions of dollars for roads, schools, and public services.

Loudoun's data center tax revenue has been growing steadily since 2016, when it was only $146 million. During this time, the data center industry partnered with Northern Virginia Community College to develop a **Data Center Operations** program offering associate's degree in engineering technology, a 26-credit career studies certificate, and data center operations classes. Many in the program came from low paying fields and now have $80k-$100k a year jobs[7].

Moreover, companies who build and operate data centers in Loudoun County also offer paid on-the-job training. For example, Amazon Web Services has a 12-week data center training opportunity that pays $20-$28 per hour to help entry-level trainees become data center technicians[8].

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[4] Jan-2020, Mangum Economics, *THE IMPACT OF DATA CENTERS ON THE STATE AND LOCAL ECONOMIES OF VIRGINIA*, p.24, at https://www.nvtc.org/NVTC/Insights/Resource_Library_Docs/2020_NVTC_Data_Center_Report.aspx?_zs=doEs91&_zl=5cbX5

[5] Feb-2020, Statement of Purpose and Fiscal Note for Idaho House Bill 521, at https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2020/legislation/H0521SOP.pdf

[6] Quantum Center Could Bring $41M in Tax Revenue to County

[7] Pathways to promising data center careers,

[8] Work Based Learning Program Data Center Operations Technician

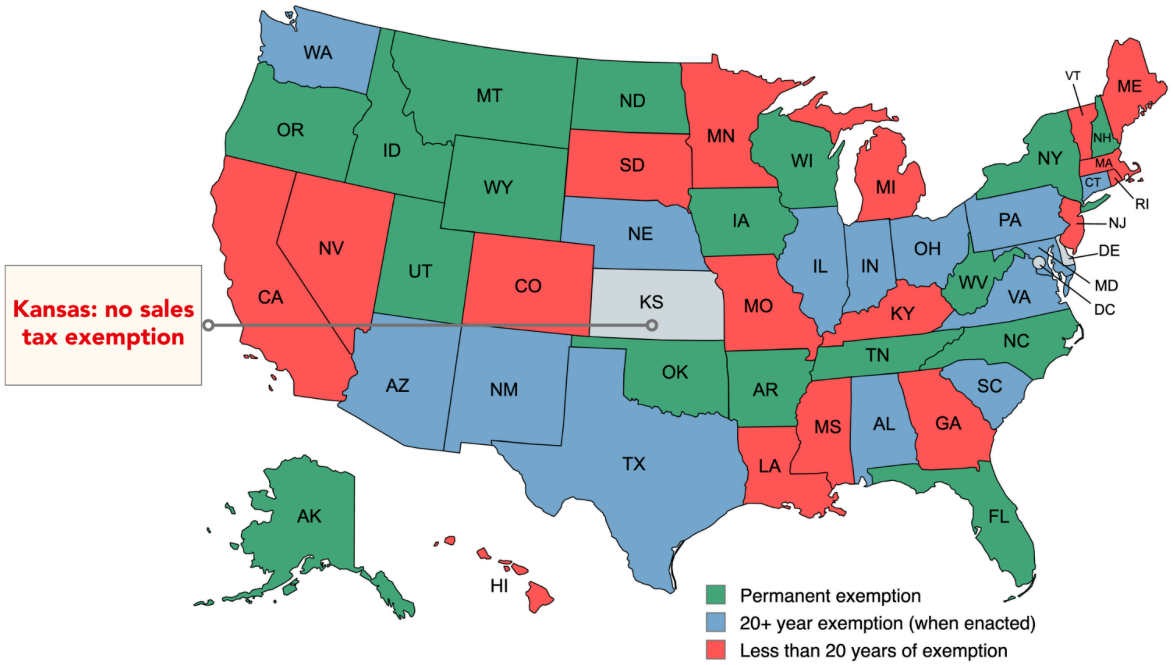
Hyperscale data centers build broadband infrastructure that helps rural communities

Enterprise data centers build new connections to high-capacity fiber networks, and this infrastructure can be leveraged to improve broadband service all along the "middle mile", including by schools, colleges, and health institutions.

In North Carolina and New Mexico, as in other states, Facebook brought high-speed internet to five counties in a new internet fiber route[9]. Microsoft's Airband Initiative brings high-speed internet to rural America, partnering with multiple broadband service companies for the effort[10].

States are competing to attract hyperscale data centers

While Virginia adopted policies to become the largest data center market in the world, the landscape for attracting data centers has changed. Unlike a decade ago when only five states had tax structures that were welcoming to data centers, 33 states had sales tax exemptions at the end of 2024:



[9] Facebook, Nonprofit Bring High-Speed Internet to Rural North Carolina and Building backbone network infrastructure

[10] Zayo brings its fiber footprint to Microsoft's Airband initiative

Over the last few years, neighboring states enacted exemptions and are already realizing new investment and jobs:

> **Missouri** enacted a 15-year data center sales tax exemption with a 10-year extension, and was able to attract a large Meta data center to Kansas City. And Google recently acquired property in Kansas City for a potential data center.
>
> **Michigan** enacted a long-term exemption on equipment for large data centers in January 2025.
>
> **Illinois** enacted a data center exemption in 2019, and saw $4.2 billion in data center investment plus $4.3 billion in announced investments.
>
> **Ohio** updated its data center program in 2019, and attracted enterprise data center investment from Amazon, Google, and Meta. In May 2023, Google announced two more data centers, raising their total investment to over $2 billion.
>
> **Wisconsin** enacted a permanent exemption on equipment and electricity for large data centers in July of 2023.

The Kansas House should adopt SB 51 so the state can compete for hyperscale data centers that have yet to locate here, and thereby enjoy the jobs and significant economic impacts that come with them.

Sincerely,

Steve DelBianco
President & CEO, NetChoice