



New tax incentives approved for data centers after struggling for support

By **Brad Cooper**

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A bill offering tax incentives to new data centers that was nearly left for dead last month emerged in the last days of the legislative session to win approval from lawmakers.

As the 2025 legislative session came to an end Friday, one of its final acts was to approve a bill exempting data centers from state and local sales taxes if they invest at least \$250 million and employ 20 people.

The bill passed the House [85-37](#) and [26-8](#) in the Senate with six senators absent and not voting on the bill.

"It was a way that we could show that Kansas was open for business," said Republican state Rep. Leo Delperdang of Wichita, who carried the bill on the House floor. "There are states that are already getting these data centers," Delperdang said. "We could have sat here and done nothing. They could have still come in and qualified for other incentives, but it's a way to show we're open for business."

In mid-March, the House shipped the bill back to committee as the end of the Legislature's regular session approached because there was tepid support for the incentives.

But supporters of the bill, including Lt. Gov. David Toland, Evergy, organized labor and economic development professionals, continued to push for the bill's passage.

Lobbyists backing the bill have been huddling in the Capitol in recent days as the future of the bill hung in the balance as the session drew to a close.

At one point, Toland sent a handwritten note to lawmakers asking them to support the bill

Eventually, the bill was amended to add guardrails and win over any skepticism about the incentives for the data centers, which have been criticized nationally for creating few jobs even if they make heavy investments.

Among other things, the bill would:

- Require data centers to create and maintain at least 20 new jobs within two calendar years of starting operation.
- Require data centers to begin construction of the project within 10 years once reaching an agreement to receive the incentives from the commerce secretary.
- Require data centers to purchase electricity for 10 years from the local public utility providing service.
- Limit the length of the sales tax exemption to 20 years for any level of investment although the original legislation allowed for a 60-year term for a \$1 billion investment.
- Prohibit utilities from authorizing electric rate discounts for data centers. There had been a bill introduced in the House that would have done just that but was never acted on. The Kansas Industrial Consumers Group, which represents high-volume energy users, sent a [letter](#) to the House speaker estimating that one large data center could receive more than \$335 million in discounted utility rates over 10 years under state law.
- Requires the data centers to conserve, reuse, and replace water.
- Excludes electric generation equipment from the exemption;
- Exclude telecommunications, wireless, and video service providers from the definition of a company that would qualify for the incentives.

Data centers are the hot new thing in economic development, although they're somewhat controversial because they don't employ many people and rely on various tax incentives in many states across the country.

Data centers, which consume large volumes of electricity, are what enable the “cloud” where Americans store their photos, videos and documents.

Employment in U.S. data centers increased more than 60% nationally from 2016 to 2023 but growth was uneven across the country, according to the [U.S. Census Bureau](#).

Federal data shows that the number of people working in data centers rose from 306,000 to 501,000 between 2016 and 2023, according to the Census Bureau.

More than 40% of U.S. data center employment are in five states: California, Texas, Florida, New York and Georgia, according to the Census Bureau.

Three years ago, the city of Kansas City, Missouri, [approved \\$8.2 billion in tax incentives](#) for a data center campus north of Kansas City for Facebook’s parent company, Meta, which indicated it would invest \$40 billion in the project.

The Meta data center was to support up to 100 jobs and was the first of its kind in Missouri, according to KMBC news. During construction, the project was anticipated to create 1,300 jobs.

The Kansas Commerce Department said it now has 14 data center projects in its economic development pipeline, with a potential capital investment of more than \$15 billion that would create more than 500 jobs.

The taxpayer watchdog group Good Jobs First issued a [report](#) in 2016 that examined 11 data center “megadeals” in which more than \$2 billion in state and local incentives were awarded. The study found the deals cost \$1.95 million per job, and one employed more than 200 people. The rest employed 175 people or fewer. The group says that, on average, the data center projects create 30 to 50 permanent positions, while larger facilities may employ up to 200 people.

Also, Forbes [looked at 15 projects](#) started since 2015 and found that their total \$9.9 billion in value was offset by an estimated \$811 million in tax breaks.

In none of those cases did the company commit to creating any more than 100 jobs, Forbes reported. In two cases, they committed to creating 20 jobs.

Other studies see it differently.

A [report](#) by the U.S. Chamber of Commerce's Technology Engagement Center found that "the average data center adds \$32.5 million in economic activity to its local community."

According to the report, data centers on average employ 1,688 local workers during construction and provide \$77.7 million in wages during that time.

"During its yearly operation, a typical large data center supports another 157 local jobs and \$7.8 million in wages at the data center and along the supply chain," the report says.

There has been some pushback within Kansas against giving incentives to data centers.

The Sierra Club had opposed the bill, which put Democrats in a bind between two key constituencies – labor which supported the bill and a key environmental group. "Aside from giving tax breaks to some of our richest tech companies in America instead of the rest of us, Kansas will need to scramble to meet the big time energy needs of these energy-hungry data centers without sacrificing our environment and burning more expensive, out-of-state fossil fuels," said Zack Pistora, the Sierra Club's Kansas chapter director.

"The Legislature has serious work to do to open up more clean energy supplies and protect Kansans from paying higher electric bills," Pistora said.