



## VIEWPOINT | South Dakota has the arsenal to fuel America's artificial intelligence, data center race

Guest column by Kyle Peters, AI Development



The digital infrastructure boom is reshaping the Midwest, and South Dakota has a tremendous opportunity to capture its share. Across the region, major technology investments are transforming local economies. North Dakota recently announced a multibillion dollar data center near Fargo. Iowa has welcomed large expansions from technology companies in the Cedar Rapids area. Nebraska continues to attract major investments from some of the biggest firms in the world.

These are not simply construction projects. They are long term partnerships that generate substantial property tax revenue, strong wages, and economic diversification that lasts for decades.

To understand what is at stake, imagine explaining the Internet to someone in 1975. Few could have envisioned how completely it would transform our economy, communication, and daily life. The same is true today. Artificial intelligence and digital infrastructure are becoming the backbone of nearly every industry, and South Dakota's future competitiveness depends on how we position ourselves now.

But one critical piece is missing, and it has created confusion about recent development near Sioux Falls. Some have interpreted annexation and zoning activity as signs that data center projects will move forward regardless of state tax policy. That is not the case. Site preparation, land acquisition, and utility coordination can continue, but attracting actual tenants requires competitive economic fundamentals. One of those fundamentals is fair treatment of sales and use taxes on equipment that must be replaced much more often than in most industries.

Nearly 40 states have modernized their tax treatment of data centers through exemptions or rebates. Large scale operators replace their technology equipment about every five years. In states with tax incentives, that equipment is not subject to sales tax. In South Dakota, it is. For a single large facility, that difference can add up to tens of millions of dollars in additional costs, especially when combined with the state's sales tax on electricity. South Dakota is one of the few states that taxes both power and equipment.

This conversation matters far beyond the tech sector. South Dakota's largest industry, agriculture, already relies on data centers every day, and that reliance is only growing. From precision planting systems that analyze soil and moisture data, to livestock operations that track feed efficiency and health metrics, to grain processors that depend on cloud-based logistics and pricing systems, modern agriculture runs on data. Companies like John Deere and Cargill process and store enormous amounts of information through data centers across the country. The same infrastructure that powers artificial intelligence also powers agriculture, linking the future of technology directly to the success of rural America.

For a state with one of the lowest unemployment rates in the nation, data centers are an ideal fit. They do not bring thousands of jobs that strain housing or labor markets. Instead, they create a small number of very good paying, stable jobs while generating enormous economic impact through property taxes and local investment. We get the best return for the investment without overwhelming existing infrastructure.

The fiscal opportunity is significant. These projects create hundreds of construction jobs, dozens of high skilled permanent positions, and major capital investment that flows through local contractors, suppliers, and service providers. This is genuine new economic activity—not a shift of existing revenue, but the creation of new growth that benefits schools, roads, emergency services, and community infrastructure.

South Dakota is uniquely positioned to become a national leader in digital infrastructure. We have the power capacity, the geographic advantages, the workforce, and the business friendly environment. What we need now is a policy framework that allows this potential to become reality.

The stakes extend beyond economics. President Trump and his administration have emphasized the importance of strengthening America's capabilities in artificial intelligence, digital storage, and domestic energy production. Digital infrastructure has become essential to national competitiveness and security. Data centers power everything from artificial intelligence innovation to secure information management, strengthening both our economy and our national resilience.

The opportunity before us is substantial and time sensitive. Our neighbors are moving quickly, and the market will not wait. But South Dakota has always been a state that acts decisively when opportunity arises. By aligning our tax policy with national standards, we are not changing who we are. We are ensuring that South Dakota can compete for the high value, future focused investments that will sustain our communities for generations.

The choice is clear. We can create the conditions for success, or we can watch these opportunities go elsewhere. Let's continue to be the state that recognizes smart, responsible growth and acts boldly when opportunity arises.

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