

NO TAX BREAKS FOR DATA CENTERS

DEAR MINNESOTA LEGISLATORS,

We, the undersigned organizations and individuals, **urge you to oppose any new or extended subsidies for data centers** in Minnesota and to reduce or eliminate the existing tax credit.

The data centers being proposed today are on a vastly different scale than those of the past, bringing unprecedented risks to Minnesota's economy, environment, and communities. Unlike traditional data centers, these massive facilities consume extraordinary amounts of electricity and water while delivering minimal long-term economic benefits to Minnesota residents, a pattern documented in analyses of data center subsidy deals.

Yet, Minnesota taxpayers are being asked to subsidize some of the wealthiest corporations in the world—Amazon, Google, Microsoft, etc—while shouldering the financial and environmental burden. As our state faces a structural budget deficit, it is fiscally reckless to continue handing out blank checks to billion-dollar corporations with no meaningful public benefit.

OUR KEY CONCERNS ARE AS FOLLOWS:

1. A Blank Check for Billion-Dollar Corporations

The data center tax credit is an automatic, uncapped giveaway that has already cost Minnesota taxpayers over **\$350 million**. Originally estimated at just \$5 million annually, the program has ballooned to over \$110 million a year, and if these new mega-facilities move forward, the cost will only skyrocket.

This subsidy doesn't just cut into Minnesota's budget—it **actively shifts the financial risk onto the public while guaranteeing private profit**. Data centers are exempt from sales tax on building materials, backup generators and yard equipment, electricity, all computing hardware, and all software licensing, including software applications for data center management and operation. Policy change to make this an upfront exemption, would eliminate any transparency about the total costs to Minnesota tax payers. Under the current structure, Minnesota can track how much tax funding is subsidizing tech companies.

However, if these changes pass, we will have no way of knowing the full fiscal impact. Worse, this structure **invites potential fraud**, as there would be no mechanism to ensure that projects receiving subsidies are even completed.

Minnesota taxpayers should not have to fund infrastructure for tech giants, while Xcel Energy and other utilities reap the profits. Why should the public pay to build out infrastructure, take on the risks of reliability failures, and sacrifice budget stability—only for corporations to walk away with all the benefits? Instead of throwing more public money at these corporations, Minnesota should be ensuring that any data center expansion aligns with the public interest.

2. STRAIN ON THE ENERGY GRID & COMPROMISING CLEAN ENERGY GOALS

Data centers are among the largest electricity consumers in the state. If built, **the planned data centers could consume as much electricity as all 2.3 million households in Minnesota.** According to Xcel Energy, expected data center expansion could increase peak demand by over 2,000 megawatts—equivalent to adding multiple new fossil fuel plants to the grid.

While tech companies sometimes claim to bring clean energy investments with them, there is no evidence that data centers are bringing new renewable energy generation capacity to Minnesota. Rather, in 2025 alone, both Chevron and NextEra Energy have announced deals with GE Vernova to build multiple gigawatts of gas-fired generation for data centers, including in the Midwest.

Minnesota's utilities assert they can meet both existing decarbonization targets and the increased demand from data centers. However, it seems likely that they would rely heavily on purchasing clean energy credits while continuing to operate fossil fuel plants to meet these goals. This would result in delayed retirements of fossil fuel plants, which would hinder progress on climate commitments and exacerbate air pollution in Minnesota communities. The state's transition to clean energy has been a collective effort—labor unions, utilities, businesses, and policymakers working together to reduce emissions and modernize the grid. **Unchecked data center growth could undermine this hard-won progress.**

3. RATEPAYER IMPACTS

At the same time, ratepayers could be left footing the bill for costly grid upgrades and new power plants needed to support data center growth. Even if data center operators are required to cover the increased electric grid costs of these projects via their electric rates, we have no assurance that the new electric load needed by the projected volume of new data centers will be sustained over the full life of the grid infrastructure - often 40 years or more.

This is especially concerning as the current spike in data center demand is related to the initial training of AI machine learning systems, which may rapidly become more efficient as they mature. If Minnesota's utilities are approved to build billions of dollars of new electric grid infrastructure based on futuristic estimates, but then the energy demand either never materializes or drops sometime over the next several decades, the public will be left holding the bag for dramatically increased electricity costs.

4. WATER RESOURCE DEPLETION AND PFAS CONTAMINATION

Every day, Minnesota's data centers consume millions of gallons of water for cooling, often exceeding the water use of entire cities. **Researchers estimate that a mid-sized data center uses approximately 300,000 gallons a day**—roughly equivalent to the water usage of 1,000 homes. A recent report from the Lawrence Berkeley National Laboratory estimates that by 2028, hyperscale data centers will consume between 15 and 31 billion gallons of water annually.

This enormous consumption exacerbates water stress in regions already facing drought conditions, and many of these facilities exploit regulatory loopholes that allow them to limit direct oversight by the Department of Natural Resources and avoid liability for potential well interference costs. On top of sheer volume, the cooling process often involves chemicals like PFAS in refrigerants, which can contaminate local water supplies and persist in the environment for generations. As climate change intensifies, protecting Minnesota's finite water resources should be a top priority, not subsidizing corporations that drain them.

5. ENVIRONMENTAL AND COMMUNITY HARM

Beyond their energy and water use, data centers generate local pollution, including diesel or gas exhaust from backup generators, which disproportionately impacts nearby communities.

Data centers also house a significantly large number of battery backups to support the delay in generator ramp-up during power failures. Most common batteries being VRLA (valve-regulated lead-acid cell battery) to power the data center's uninterrupted power supply or UPS systems.

With an average service life of 3-5 years, replaced batteries further contribute to the State's hazardous waste. Lithium-ion batteries and other technologies are being investigated but they are in early adoption phase and don't solve the hazardous waste problem.

Additionally, these data centers provide minimal long-term economic benefit—creating **as few as 30 permanent local jobs** while shifting infrastructure costs onto local taxpayers. A typical manufacturing facility or corporate headquarters can generate 200 to 1,000 jobs, yet data centers often employ as few as five people on-site. As the Atlanta Journal-Constitution notes, "A million square foot facility usually only employs a few dozen workers." Meanwhile, rural and suburban communities bear the brunt of constant noise pollution from cooling systems and generators, along with land use impacts, without sufficient compensation or mitigation.

While data centers can generate revenue for some regions, Minnesota's tax exemptions often eliminate those potential benefits for decades, **leaving communities to foot the bill.**

Minnesota must prioritize policies that serve the public interest, **not the profit margins of tech giants.** We ask you to stand with us in protecting Minnesota taxpayers, ratepayers, our water, and our fiscal health.

Sincerely,



VOTE SOLAR



COOPERATIVE ENERGY FUTURES
COMMUNITY POWERED ENERGY