

Thank you Mr. Chair and the committee. My name is Catherine Kauffman, I am a resident of House District 61B, and I am with ISAIAH as a volunteer. I am here to oppose HF 1277, as a Minnesotan and as an electrical engineer in transmission planning of the electric grid. Large-scale data centers present a unique challenge to the grid. They use an enormous amount of power, outpacing most of the largest generation projects I've seen come online in the last 4 years. They are also unprecedented in their effect on the grid. For most of the grid's history, users of power have been spread out. Under grid duress, operators can rely on market mechanisms or operational discretion to enact small changes in power consumption to stabilize the grid. Large scale data centers are not known for being so flexible. Our grid operator, MISO, does not have well-defined rules for the flexibility of these data center loads in their tariff or transmission expansion plan. In my experience, this kind of flexibility is not default and is expensive for data center builders. But flexibility is extremely valuable. I'd like to state clearly that if these large data centers are interconnected without flexibility, grid reliability will suffer greatly, and a renewable energy-dominated grid will be less feasible. I have conversations with folks in my field who say that these data centers are coming and we can't do much to stop them. So let's at least not accelerate the ease in which large corporations can spend billions enriching themselves, de-stabilizing a grid we Minnesotans are working so hard to bring to 100% clean energy by 2040.

BRING NEW LARGE-SCALE DATA CENTER INVESTMENT TO MINNESOTA

A modernized sales and use tax program on data center equipment would make Minnesota competitive for billions in investment and well-paying data center jobs.

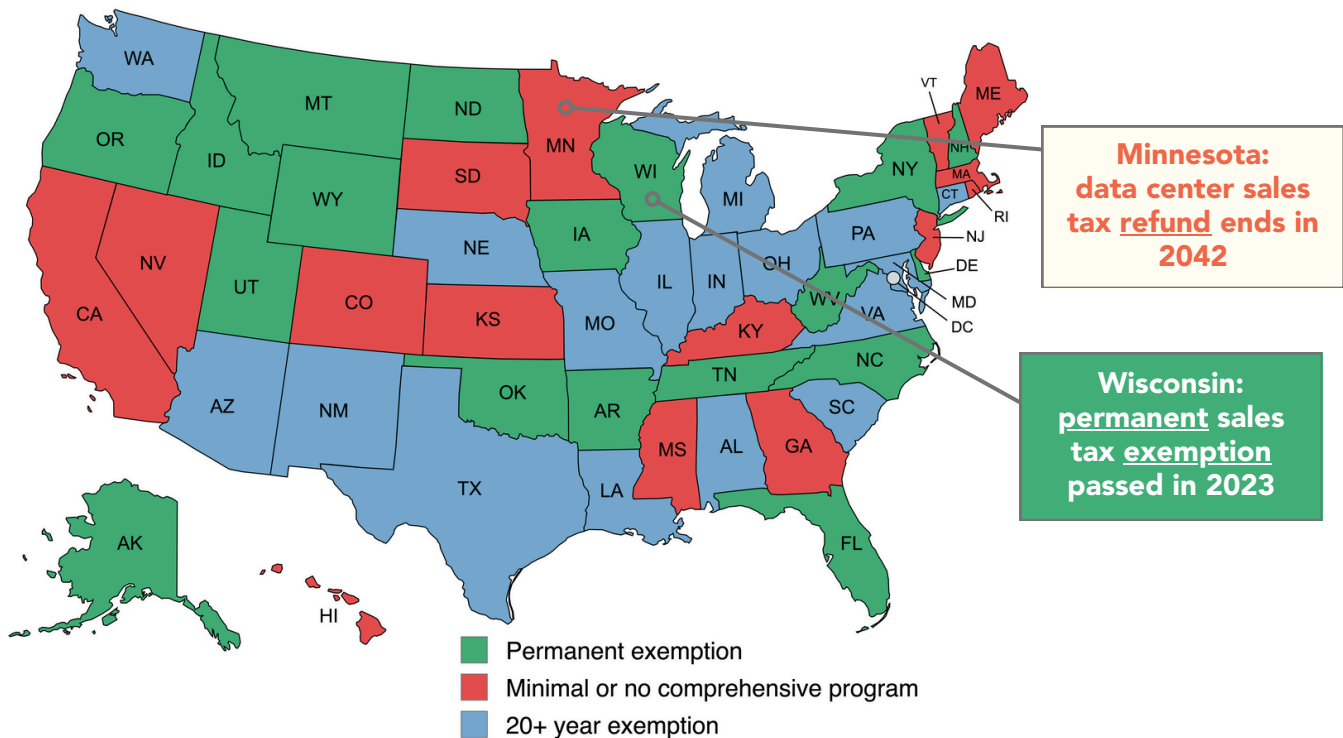
Data centers are the infrastructure backbone of the 21st century economy

Everything that uses the internet - from the cars we drive to businesses that manufacture, create, and sell goods and services - requires data centers to work. Data centers bring powerful benefits to the states and local communities where they are located through new jobs, new tax revenue and new investment.

Put Minnesota on the Map

Large-scale data centers average \$750 million in initial investment, drive millions more in local economic development, and create hundreds of local jobs.

There are no large-scale data centers in states that impose sales taxes on data center equipment. Minnesota should join 30 other states that treat data centers like manufacturing -- by providing a long-term sales tax exemption on initial investments and replacements of servers every 4-5 years.



A New Large-Scale Data Center Can Generate

CONSTRUCTION PHASE

**\$100
MILLION**

IN PAY & BENEFITS FOR
1,800 CONSTRUCTION JOBS

ECONOMIC IMPACTS

\$271M

NEW ECONOMIC ACTIVITY

\$87M

ONGOING ECONOMIC ACTIVITY

OPERATIONAL EMPLOYMENT

300

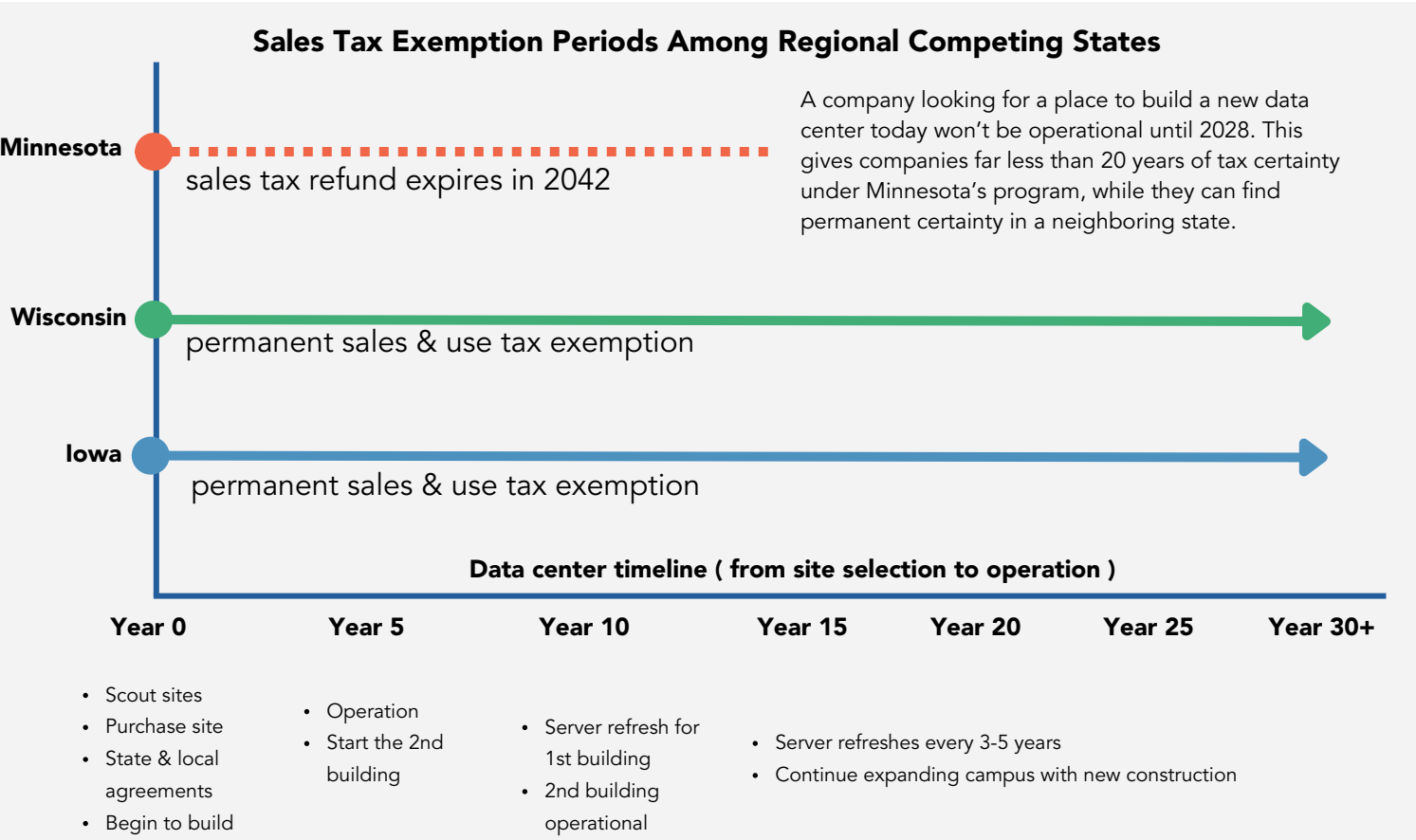
FULL-TIME OPERATIONS JOBS

\$23M

AVERAGE PAY & BENEFITS

Economic Development Competitiveness in Neighboring States

Companies are looking across the Midwest for places to grow their data center footprint. If a company started looking today, Minnesota’s data center economic development program can’t provide them with the same certainty and administrative ease as neighboring states.



Data Centers Drive Local Impact



Construction jobs

At least 500 construction jobs during 18-24 month construction, with up to 1,800 at peak.



Local, high-paying jobs

At full-build, data centers support 300 jobs in networking, heating and cooling, and security.



Significant local tax revenue

Data centers generate millions in local tax revenue through local property taxes and indirect taxes.



Renewable energy investments

Many hyperscale data centers are supported with clean and renewable energy, bringing additional investment and jobs.



Community partnerships

Hyperscale data centers provide philanthropic support for local schools and nonprofits, particularly in STEM education.





117 South First Street • Montevideo, MN 56265

February 27, 2025

Chair Davids
House Taxes
Re: H.F. 1277

Chair Davids and Committee Members,

CURE is a rurally based, non-profit organization dedicated to protecting and restoring resilient towns and landscapes by harnessing the power of the people who care about them. We appreciate the opportunity to testify in opposition to H.F. 1277 today.

Under existing law, qualifying data centers can claim a sale tax exemption for their purchase of certain equipment, software, and electricity. The usual state sales tax applies at the time of purchase, but qualifying data centers can then be refunded for those purchases by the Department of Revenue—if the data center “shows their work,” and the Commissioner of Employment and Economic Development certifies that the data center meets the requirements under the law. Over the last few years, the state has forgone more than \$100 million in tax revenue annually from such exemptions.

Under H.F. 1277, the largest data centers—hyperscalers—would no longer be required to show their work, because the sales tax exemption would apply up front, at the time of purchase. Instead, the data centers would themselves certify that they *will* meet the requirements for the exemption, and any verification by the Commissioner of Employment and Economic Development and Commissioner of Revenue about compliance occurs *before* any purchase is made. This kind of system eliminates transparency about the total cost to Minnesota taxpayers and seems counterproductive to efforts being made by this legislature and the administration to combat waste, fraud, and abuse.

It’s important to remember that without this bill, data centers will still be able to receive the benefits of a generous sales tax exemption, still be able to do business in Minnesota, and still be able to deliver on their promises of high-paying, union jobs and economic development—they’ll just need to continue showing their work. This is not an unreasonable expectation for an industry that stands to make some of the wealthiest companies on the planet even wealthier while asking Minnesota to provide ongoing access to significant amounts of land, electricity, and water.

/s/ Sarah Mooradian

Government Relations & Policy Director
CURE
117 S 1st Street
Montevideo, MN 56265
(320) 269-2984
sarah@curemn.org



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,



Coalition for **Responsible**
Data Center Development



VOTE SOLAR



MOVE MINNESOTA
ACTION



COOPERATIVE ENERGY FUTURES
COMMUNITY POWERED ENERGY





Feb. 27, 2025

Representative Greg Davids
Second Floor, Centennial Office Building
St. Paul, MN 55155

Chair Davids and House Taxes Committee Members:

We Make Minnesota is a coalition of labor and community groups united to support a fair tax code and a budget sufficient to meet the state's public investment needs. Our members include the educators, nurses, and public sector workers who keep Minnesota running, as well as families and faith communities across the state who depend on a wide range of state and local services to live safe, healthy, and dignified lives.

The undersigned organizations are writing to state our opposition to HF 1277, which would extend the state's sales tax exemptions for qualified data centers, and convert the program from a rebate to an upfront exemption. HF 1277 will make our tax code less transparent and extend a costly taxpayer-funded giveaway to some of the largest technology firms in the world. With state budget challenges looming and corporate profits near their all-time high, we would like to see limitations and greater oversight on such tax breaks, not their broad expansion.

We appreciate the desire to attract economic activity and create good-paying jobs in Minnesota. But with the most generous data center incentives in the region already, this policy would reduce transparency and place unseen pressure on the general fund for an uncertain return. We would appreciate your consideration of the following concerns:

Growing Cost: From an estimated \$4.7 million in 2018 to over \$230 million during the 2026-27 biennium, the sales tax exemption for qualified data centers has already grown more than 20-fold since its inception. This is a threat to the state's long-term budgetary stability.

Large as it is already, the cost could rise considerably in coming years: An independent study by the Electric Power Research Group forecasts that data centers in Minnesota could consume energy at as much as three times their current rate by 2030.¹ Assuming a rough correlation between megawatts consumed and cost, Minnesota's sales tax exemption could easily triple to more than \$750 million by the 2030-31 biennium. And even this could prove an underestimate — in Virginia, a similar data center sales tax exemption increased from \$120 million per year to over \$700 million as many large data centers opened or began construction.² A tax break of this size greatly weakens the state's ability to fund its current and needed obligations and will shift future tax burdens onto Minnesota families.

¹ [Analyzing AI and Data Center Energy Consumption](#). Electric Power Research Institute, Inc.

² [Virginia Data Center Subsidy](#). Good Jobs First.



Lack of Transparency: Qualified taxpayers pay full sales tax on their eligible purchases and submit expenses for a refund. This serves as an important check on the program's proper functioning and guarantees lawmakers and the general public a credible estimate of the cost of the total expenditure. Although this arrangement does not address budgetary challenges, it provides a bare minimum of transparency. Converting the exemption to an upfront arrangement will mean considerably less transparency and opportunity for auditing. This is a deeply concerning component of the changes included in HF 1277.

Uncovered Costs: The loss of general fund revenue is made worse by the implied public costs that accompany new data center facilities. Data centers consume an enormous amount of energy, which will be pulled from a power grid that is funded by Minnesota taxpayers and utility ratepayers. They also consume large quantities of water, with the potential for harmful long-term impacts that will require either increased water treatment capacity, public health interventions, or both. Capturing tax revenue from economic activity is how the state maintains needed investments in strong infrastructure and a healthy environment to sustain growth. This policy sacrifices long-term stability for short-term gain.

In closing, we appreciate the desire to stimulate economic activity and create jobs for Minnesotans. However, we reject the premise that taxpayers should fund or supplement the profit-generating activities of the largest and most profitable corporations in the world. Data centers are already coming to Minnesota for our amenable climate, strong grid, capable workforce, and commitment to environmental sustainability. Expending taxpayer dollars while loosening oversight hurts our ability to maintain these important socioeconomic foundations.

Sincerely,

Eric Harris Bernstein, Coalition Director, We Make Minnesota
Ethan Vogel, Legislative Director, AFSCME Council 5
Jo Musel Parr, Organizing and Field Services Director, AFSCME Council 65
Kathleen Micheletti, Director of Public Affairs, Education Minnesota
Jonathan Bohn, Director of Government Affairs, Inter Faculty Organization
Lars Negstad, Policy Director, ISAIAH
Devin Bruce, Director of Legislative and Political Affairs, MAPE
Greg Nammacher, President, SEIU Local 26
Rick Varco, Legislative Director, SEIU Healthcare Minnesota and Iowa
Brian Elliot, Executive Director, SEIU State Council



2429 Nicollet Ave
Minneapolis, MN 55404
www.100percentmn.org

February 26, 2025

Chair Davids and Members of the Committee,

I am writing to express our strong opposition to expanding the data center tax credit in Minnesota Statutes Section 297A.68, subdivision 42 or to reducing the transparency of its administration.

When created in 2011, this tax credit was envisioned as being a relatively modest economic development investment designed to attract “low-profile facilities” positioned as “the industry of the future”. For example, during a May 4, 2011 hearing in the House Taxes Committee, the Department of Employment and Economic Development testified that, without this tax credit, major technology companies located data centers in Nebraska, Iowa, and North Carolina, rather than Minnesota.

In 2025, the future has arrived. Data centers are very much the industry of the present, and the ballooning cost of this credit reflects it.

In 2011, the credit was [estimated to cost](#) roughly \$7m - \$10m per year, specifically, \$10.05m in FY 2012, \$8.04 in FY 2013, \$6.77m in FY 2014, and \$8.57m in FY 2015.

By 2024, the [Tax Expenditure Review Commission](#) had revised those estimates up more than tenfold, estimating that this credit would cost \$112.3m in FY 2022, \$110.3m in FY 2023, \$103.6m in FY 2024, and \$104.2m in FY 2025.

The number and scale of data centers is expected to grow massively.

According to Datacentermap.com, Minnesota currently has at least sixty-one data centers. Forty-one of those are considered qualified data centers by our current statute. In addition to these, the Minnesota Star Tribune reported on January 10, 2025 that another ten data centers are in development.

Likewise, the scale of data centers has grown, creating a new category of data centers: hyperscale.

A 2024 [Lawrence Berkeley National Laboratory report](#) sorts these categories by square footage, finding data centers “can be considered as either small, with an average square footage less than 150 (Telco Edge, Commercial Edge, SMB, and Enterprise Branch), midsize, with an average square footage of 2700 (Internal) and 6900 (Comms SPs), or large-scale, with average square footages of 11,000 for the colocation space types and 30,000 for hyperscale facilities (average square footage per module, not per entire facility/campus)”. **Per the Star Tribune article, Amazon, Microsoft, and Meta have large-scale facilities in development in Minnesota.**

With their increasing number and scale, the energy use of data centers is also growing very rapidly. The same Lawrence Berkeley National Laboratory found that “the electricity consumption of U.S. data

centers is currently growing at an accelerating rate.” Their study showed “a compound annual growth rate of approximately 7% from 2014 to 2018, increasing to 18% between 2018 and 2023, and then ranging from 13% to 27% between 2023 and 2028.” In other words, total U.S. data center energy demand more than doubled between 2017 and 2023 and could triple by as soon as 2028.

With these trends in mind, it is important to take a hard look at the value of this tax credit. **Every dollar given to a data center owner is a dollar we are not investing in a public school, a nursing home, or a clean energy solution.**

Unfortunately, if enacted, House File 1277 / Senate File 769, as introduced, would make these trade-offs harder to evaluate, in particular, for large data centers. In lines 1.17 - 1.20, the bill (by inference) proposes exempting large data centers from the same transparency measures that already apply to qualified data centers and qualified refurbished data centers. In other words, the corporations claiming the largest tax benefits from Minnesotans would be the least transparent.

Then, in lines 3.32 - 3.33, this bill (by inference) removes the existing law’s 2042 sunset, but only for large data centers. If enacted, growth of this credit for large data center owners would be open ended and hidden from public view.

These two changes would be expensive and secretive. They are the wrong direction for Minnesota. We ought to be limiting (or ending) these tax credits rather than expanding them.

However, the bill’s effort to distinguish large data centers from smaller ones is not without merit. Though this thriving industry no longer needs Minnesota’s economic development assistance, the policy challenges posed by large data centers do need additional public review. Their land and water use, need for energy system redundancies, emissions impacts, and consequences for communities are sizable, complex, and different from those of smaller, enterprise data centers.

Minnesota ought to approach the siting of large data centers with care. Their impact on communities is big, as is their public price tag.

Thank you for your time and consideration,

A handwritten signature in black ink that reads "Aurora Vautrin". The script is cursive and fluid, with the first letter 'A' being particularly large and stylized.

Aurora Vautrin
Legislative Director of 100%
2429 Nicollet Ave
Minneapolis, MN 55404
www.100percentmn.org



**It's Better
in Becker**

Phone: 763.200.4239 12060 Sherburne Ave.
Fax: 763.261.4411 P.O. Box 250
www.ci.becker.mn.us Becker, MN 55308



Administration



Community
Center



Community
Development



Finance



Parks and
Recreation



Pebble Creek
Golf Club



Police
Department



Public Works

February 21, 2025

Representative Greg Davids, Chair
House Taxes Committee
St. Paul, MN 55155

RE: Support for HF 1277 – Sales tax exemption for data center developments

Dear Chair Davids and Committee members,

The city of Becker supports the passage of HF1277 to extend the sales tax exemption to data center projects. Becker is home to the Sherco Power plant, where the generating units are being retired between 2023 and 2030. The loss of this tax base represents approximately 65% of the city's total tax base. Transition aid was approved during the 2023 legislative session and will provide declining aid for that loss revenue over a 20-year period. The city, however, would prefer that we develop and attract business to replace that lost tax revenue, and this bill is critical to attracting data centers to Minnesota, and Becker in particular.

The city is engaged with two companies interested in constructing data centers in Becker. These potential projects represent significant capital investment, and the city supports the incentive of a sales tax exemption for these projects. If these proposed projects are constructed, they will result in an ongoing stream of new taxes and revenue being paid, such as corporate state taxes, income taxes, sales taxes paid on ancillary construction, and local property taxes.

This bill will put Minnesota on par with incentives offered by competing states, and the city supports passage of HF 1277.

Regards,

Greg Lerud
Becker City Administrator



Representative Greg Davids
Chair, Taxes Committee
2nd Floor Centennial Office Building
St. Paul, MN 555

Re: Support House File 1277 – House Language Regarding Large-Scale Data Center Development

Date: February 27, 2025

Chair Davids and Taxes Members,

A broad coalition of organizations representing Minnesota tech companies, labor unions, clean energy organizations and energy providers respectfully urge lawmakers to encourage large-scale data center investment and economic development in Minnesota by supporting HF1277.

Minnesota is at a competitive disadvantage when it comes to attracting new large-scale data center investments and we have not benefited from the same economic growth occurring in this industry in nearby states. According to a 2022 Mangum Economics Report, since Illinois enacted their data center program in 2019, Illinois has seen \$4.2 billion in new data center investment and thousands of jobs in construction, plus an additional \$4.3 billion in announced data center investment. And Illinois is seeing clean energy investments and startups, spurred by the industry's commitment to renewable energy.

American tech companies that own and operate large-scale data centers have made significant investments in states with data center economic development programs that provide long-term certainty – like Illinois and Iowa – and recognize data centers as enablers of the digital economy that generate billions in investment, widespread economic activity, and high-tech jobs. In 2023, Wisconsin passed a permanent data center sales tax exemption program signed into law by Governor Tony Evers. Michigan Governor Gretchen Whitmer just signed a 20+ year large-scale data center program, further challenging Minnesota's competitiveness to attract these investments.

Companies are looking across the Midwest for places to grow their data center footprint, but Minnesota currently doesn't offer the long-term certainty of its neighbors. It is worth noting that other than one large scale data center currently under construction, all of the other "proposed" projects are in various stages of development and there are no guarantees they will come to fruition. Economic development projects fail at various stages of development; thus making it all the more important to support the opportunities that these proposed projects could provide. Because of the time it takes to perform site selection and development, Minnesota's current data center program sunset date does not provide the long-term certainty needed for these substantial capital investments. In Illinois and Michigan they'd have 20+ years; in Iowa and Wisconsin the programs are permanent. Minnesota's program simply doesn't provide enough long-term certainty to justify new large-scale investments, when competing states offer permanent sales tax exemptions.

For localities across Minnesota to compete for these investments, the state can provide a long-term exemption for data center equipment from sales tax - just like the state has long exempted business equipment for agriculture, manufacturing, and telecom. In addition, the administration of the program needs to be modernized. Nearly all of the states with a data center program have a tax exemption - not a refund. Refunds add administrative and compliance burdens for both the state and the company. An exemption paired with assurances the company will meet the thresholds required will be significantly more efficient and effective for developers and for state agencies.

HF1277 authored by Rep. Greg Davids seeks to change that by aligning Minnesota with 30 other states that offer long-term certainty with a tax exemption on data center equipment to attract large-scale data centers. Under the legislation, data center equipment would be treated the same as manufacturing equipment – by providing an exemption for equipment used by qualified data centers for the processing, storage, retrieval, or communication of data.

The economic and fiscal impacts of large-scale data centers that result from competitive economic tax programs include billions in economic output, thousands of employment opportunities, and a significant increase in state and local tax revenues.

Incremental economic benefits of data centers	In Minnesota	Not in Minnesota
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

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

According to a study by Mangum Economics done for Wisconsin, the economic impacts of just a single hyperscale data center include the following based on a \$750 million investment:

Construction Phase

- 1,740 - 1,800 jobs
- \$84 - \$99 million in pay and benefits
- \$240 - \$271 million in new economic activity
- \$3 - \$6 million in local tax revenue
- \$3 - \$4 million in state tax revenue

Ongoing Operations

- 250 - 300 jobs
- \$16 - \$23 million in pay and benefits
- \$63 - \$87 million in new economic activity
- \$600,000 - \$1,400,000 in local tax revenue
- \$1.1 - \$1.6 million in state tax revenue

Additionally, research shows that data centers share the pool of 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 vital industries. Netchoice members have a demonstrated history of supporting trade Unions and their members, and highly value the quality of the training programs that trade Unions bring to these large scale data center construction projects.

Plus, in addition to the impact that data center development has on state and local economies and labor markets, large scale data centers in other states have also supported the development of renewable energy. In addition to prioritizing energy efficiency and sustainability in building their data centers, many large-scale data center operators have goals to support their operations with clean and renewable energy by adding new projects to the grid. In fact, large scale data center operators are some of the largest corporate buyers of renewable energy in the world.

With a targeted and competitive tax exemption in place for large scale data centers, Minnesota can remain competitive with other states for billion-dollar investments and be in a position to realize an increase in revenue from taxes related to the growth these businesses promote.

Please consider co-sponsoring HF1277 relating to a sales and use tax exemption for data center equipment to encourage large-scale data center investment and economic development in Minnesota.

NetChoice
Xcel Energy
Minnesota Power
Great River Energy
Minnesota Technology Association
Clean Energy Economy MN
Clean Grid Alliance
Data Center Coalition
International Association of Bridge, Structural, Ornamental and
Reinforcing Iron Workers Local 512
International Union of Operating Engineers Local 49 Minnesota
Building & Construction Trades Council Minnesota Pipe Trades
IBEW MN State Council
Minneapolis Regional Chamber
North Central States Regional Council of Carpenters Heat and
Frost Insulators Local #34
IBEW #110
Mpls Downtown Council
MN Business Partnership
TechNet

How do data centers benefit the state's economy?

Virginia's Joint Legislative Audit and Review Commission (JLARC) just issued a report that shows positive economic results for the state and especially the local governments.

Consider these findings from Virginia's 2024 JLARC Report:

Data center industry contributions to Virginia's economy



74,000 jobs



\$5.5 Billion in labor income



\$9.1 Billion in GDP

Last year, data center capital investment in Virginia was **\$24 Billion**, **84% of total capital investment** across all projects announced.

In 2024, data centers paid **\$733 Million in property taxes** in Loudoun County, covering one-third of total property tax revenue.

What about the costs of electrical infrastructure and power generation?

Data Centers are currently paying their full cost of service: "The study found that current rates appropriately allocate costs to the customers responsible for incurring them, including data center customers."

How have data centers affected the Construction Trades?

Data centers have grown the construction trades: "The data center industry is the largest construction sector right now and data center projects are about $\frac{1}{3}$ to $\frac{1}{2}$ of their current projects and nearly $\frac{2}{3}$ s of their backlog."

"Electrical workers indicate demand has grown their apprenticeship program from 300-500 and could grow larger. Workers stay in state and move from project to project."

Source: [JLARC.virginia.gov/landing-2024-data-centers-in-virginia.asp](https://jlarc.virginia.gov/landing-2024-data-centers-in-virginia.asp)



March 3, 2024

Representative Greg Davids, Chair
House Taxes Committee
2nd Floor, Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Chair Davids and Members of the House Taxes Committee:

We are writing to inform you the Minnesota AFL-CIO supports the tax exemption for the construction of data centers and certain equipment, HF 1277. Passage of HF1277, as introduced, will put us on par with the neighboring states of Illinois and Iowa, not to mention dozens of other states.

It is true that large numbers of construction jobs will be created. Research shows, however, that data centers share a pool of high technology jobs with industries like architecture, engineering, computer system designers, software engineers, scientific research and development, technical consulting, and telecommunications.

The position for tax incentives for the construction of data centers was adopted at the Minnesota AFL-CIO 57th Constitutional Convention in Duluth via a resolution that was unanimously passed by convention delegates. The Convention was held September 22-24, 2024 and the resolution passed on September 23, 2024. The resolution "Resolves" read in part:

Resolved: That we support the adoption of state tax policies that allow for sales tax exemptions for the construction of data centers; and be it further

Resolved: The state government will develop and implement tax exemption policies that are clear, consistent, and competitive, providing certainty and predictability for data center developers and investors, and be it further

Resolved: Provisions to promote the use of energy-efficient technologies and renewable energy sources in the construction and operation of data centers, and be it further

Resolved: That the state government will collaborate with industry stakeholders, local communities, the economic development organizations to maximize the benefits of data center investments, including job creation, workforce development, strong labor protections and technological innovation....



Again, the Minnesota AFL-CIO supports HF 1277 as introduced. Thank you for your time and please contact us should you have questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernie Burnham".

Bernie Burnham
President

A handwritten signature in black ink, appearing to read "Brad Lehto".

Brad Lehto
Secretary-Treasurer



Re: HF 1277
March 3, 2025

Chair Greg Davis and Members of the House Tax Committee,

I write on behalf of the DFL Environmental Caucus. Our mission is to educate and mobilize the citizens of Minnesota to address the climate crisis and to protect, preserve, and restore the natural environment. We oppose HF1277 and urge you to vote no to this bill.

These mega data centers should be called black holes.

The data center Amazon wants to build in Becker would use 600 megawatts of electricity and include 250 polluting diesel generators. The Farmington data center proposal would use as much electricity as the entire City of Minneapolis. There are at least 10 hyper-scale data centers proposed in Minnesota and if all of them are built, it could double the electricity consumption of the entire state of Minnesota. The water used to cool these centers is also a huge concern. The Farmington data center proposal would use 900 million gallons of our precious groundwater per year.

Regular Minnesotans could use tax breaks. The Data Center billionaires don't need tax breaks

The current state tax credit for data centers cost Minnesota taxpayers about \$5 million. This bill would benefit some of the richest people in the world, and could cost taxpayers over \$1 billion in lost revenue. It is not fiscally responsible to put this burden on taxpayers. The construction jobs are beneficial but long term these centers are not large employers and these proposed tax benefits are permanent.

I urge you to reject HF 1277. Protect Minnesota taxpayers and conserve our natural resources. The jobs created by these centers will not mean anything if we don't have a livable climate and clean drinking water.

Veda Kanitz, Legislative Committee Cochair

DFL Environmental Caucus

Cc. Megan Bond, Chair

March 3, 2025

RE: Support for HF1277

Chair Davids and Members of the House Taxes Committee:

On behalf of the more than 150 technology-enabled companies that comprise the membership of the Minnesota Technology Association, I'm writing to voice our support of HF1277 which provides for sales tax exemptions on purchases of information technology equipment and computer software for use in qualified large-scale data centers.

Data centers serve as the backbone of modern business operations, supporting cloud computing, artificial intelligence, and digital services. As Minnesota continues to position itself as a leader in the digital economy, fostering a competitive environment for large-scale data centers is critical to our state's economic growth, innovation capacity, and business resilience. Sales tax exemptions for data center equipment play a key role in attracting and retaining these high-value investments.

So why do data centers matter to Minnesota's economic and technological future?

1. They Drive Economic Growth and Job Creation

- Large-scale data centers represent hundreds of millions of dollars in capital investment, generating both direct and indirect economic benefits.
- They create high-wage jobs in IT, engineering, construction, and operations, along with indirect employment in local service industries.
- Investments in data centers stimulate rural and suburban economic development, as companies seek locations with strong infrastructure and energy capacity.

2. They Enhance Business Competitiveness and Retention

- Minnesota is home to a diverse economy, with major employers in healthcare, finance, retail, and manufacturing - all of which rely on secure, high-speed data access for their operations.
- Maintaining a competitive tax and regulatory environment ensures that businesses continue investing in Minnesota rather than shifting infrastructure to states offering more attractive incentives.

3. They Strengthen Minnesota's Position as a Tech Hub

- States like Iowa, Wisconsin, Texas, and many others aggressively compete for data center investments with tax incentives. Minnesota must maintain a level playing field to attract these projects.
- Data centers provide the foundation for emerging technologies, including artificial intelligence, cloud computing, and cybersecurity, all of which are key to economic expansion.

4. They Enhance Sustainability and Energy Leadership

- Minnesota's commitment to clean energy makes it an attractive location for environmentally conscious data center operators. Many data centers are designed with renewable energy integration, advanced cooling technologies, and carbon footprint reductions.
- Data center companies are often able to underwrite new infrastructure that utilities might not otherwise be able to fund on their own.
- Supporting data center investments aligns with Minnesota's long-term sustainability and economic resilience goals.

5. They Ensure Digital Infrastructure Resilience

- Data centers provide mission-critical infrastructure that ensures business continuity, disaster recovery, and cybersecurity for Minnesota's public and private sectors.
- Expanding local data infrastructure reduces reliance on out-of-state facilities, improving network reliability and national security protections.

Extending and enhancing the sales tax exemption maintains Minnesota's competitiveness in attracting large-scale data center investments, encourages long-term capital commitments from technology and enterprise companies, and supports business growth across all industries that depend on high-speed, secure, and scalable digital infrastructure.

We thank you for your leadership on this important investment in Minnesota's future.

Sincerely,



Jeff Tollefson
President & CEO
Minnesota Technology Association

JANETTE DEAN

National & State Environmental Policy & Human Rights Advocate
Caledonia, MN
JanetteNoelle@gmail.com
(507) 500-0142

March 3, 2023

Taxes Committee
Minnesota House of Representatives
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

Re: **OPPOSITION TO HF1277 (and SF769)**

Dear Committee Members:

I'm writing to ask you to OPPOSE efforts to extend tax breaks for hyper-scale data centers at the Legislature this session. Specifically, please vote no on HF 1277 (Davids) and SF 769 (Hauschild), which would extend existing tax credits and make it even easier to access sales tax exemptions for the largest data centers worth over \$250 million!

The owners of these data centers are some of the wealthiest and most powerful corporations in the history of the planet. The state tax credit passed in 2011 was estimated to cost Minnesota taxpayers about \$5 million, in 2025 it could be as much as \$1 BILLION OR MORE. Minnesota taxpayers should NOT be subsidizing already profitable corporations, especially when it threatens our clean energy goals and groundwater.

Huge data center proposals by Amazon, Meta (Facebook), and other tech giants--WHO ARE ALSO NOT STANDING UP FOR OUR DEMOCRACY AND OUR CONSTITUTION AS ETHICAL CORPORATIONS SHOULD--are quickly moving forward. These are absolutely massive proposals.

The Becker Amazon data center wants to build 250 diesel backup generators and would use 600 megawatts of electricity - roughly the same amount as the Monticello nuclear plant produces. The Farmington data center proposal would use 900 million gallons of water per year and as much electricity as the entire City of Minneapolis. There are at least 10 hyper-scale data centers proposed in Minnesota and if all of them are built, it could double the electricity consumption of the entire state of Minnesota.

Thank you for your urgent attention to this matter and for voting NAY on HF1277.

Janette Dean

B.A. Political Science & Sociology – UNR / USC Alumna; La Crescent High School Graduate
Sierra Club Wilderness Guardian member; MN350 Action member; Houston County DFL member