

David C. Toland, Secretary

Laura Kelly, Governor

House Taxation
Written Only Testimony in Support of SB 51
Rachel Willis, Director of Legislative Affairs, Kansas Department of Commerce
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Room 346 S

Thank you for allowing us to submit written testimony in support of SB 51. This bill establishes a sales tax exemption for construction and equipment materials for qualified data centers in Kansas. The length of time that the company may receive this specific sales tax exemption is correlated to the amount of capital investment they will make to build a facility. This correlation is a reasonable way to limit the number of benefit years and allows the state to be competitive.

Overall, data centers are a win-win for all parties. Though they often do not create a large quantity of jobs, they do create high paying jobs, generate tax revenue (property tax specifically) and attract other technology related companies to the area. Data centers can also bring benefits to local communities. They require very little in terms of road infrastructure or public services once they are operational. Rural areas that may not be equipped with the infrastructure to handle the demands of large-scale commercial development are often popular choices for data centers. Data centers foster an environment that attracts high-tech industries and investments, providing significant economic benefits to local communities. For example, the establishment of data centers in Columbus, Ohio, has drawn significant investments from prominent technology companies such as Google and Amazon, thereby reinforcing the region's reputation as a burgeoning technology hub. Lastly, data centers provide the digital infrastructure necessary for industries such as healthcare, fintech, cloud computing, AI and e-commerce to thrive.

In order to recruit these businesses that will improve both the local and state economy, the sales tax exemption on both construction materials and equipment are essential. Data centers invest heavily in expensive technology and equipment on an ongoing basis, so a sales tax exemption is extremely helpful to their business model. In fact, it is so critical that data centers typically will not make an investment in or build a new data center in locations that do not offer a sales tax exemption.

This sales tax exemption would not be a new economic development benefit in Kansas. Construction materials and farm equipment are two examples of items that often are exempt from sales tax for businesses in the state. Furthermore, many states offer a similar benefit for these types of projects. Virginia, Arkansas, Wisconsin, Arizona, Georgia, Iowa, Ohio, Texas, and Illinois all offer a sales tax exemption on equipment for data centers. Michigan, Maryland and Pennsylvania are working on bills to offer this incentive. The exemption length in SB 51 goes

longer than many of those states so the agency would ask that the legislature takes a close look at that piece.

Currently, the State of Kansas is missing out on these significant investment projects. Here are just a few examples of projects that we missed out on in 2024:

- Alabama (May 2024) – A \$800 million data center, which is the second largest data center in the state. In 2018, a \$1.5 million data center was built.
- Louisiana (Dec. 2024) – A \$10 billion data center campus that will create 500 permanent jobs at an average wage of \$88,000.
- Minnesota (March 2024) – A \$800 million data center that will create 100 jobs.
- South Carolina (Aug. 2024) – A \$800 million data center that will create 75 jobs with the median wage of \$90,000.
- Wyoming (July 2024) – A \$800 million data center.

Our business recruitment team currently has 14 data center projects in the pipeline, with a potential capital investment of over \$15 billion dollars in the state of Kansas, creating 500+ jobs. This benefit would assist us in securing these projects and continuing our strong economic development growth in our state.

I urge the committee to favorably pass SB 51 after considering the exemption length.