

Testimony of the Hon. Barbara Comstock

Former Member of Congress and Former Member of the Virginia General Assembly

On Behalf of NetChoice, for HB 2450

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As a former state legislator myself, I know the challenges of finding new revenue streams for the many budget challenges that states face while at the same time having to balance the budget. As we know, that is a challenge that Congress doesn't face and certainly they haven't balanced their budgets anytime recently.

When I served in the Virginia General Assembly, I was fortunate to be able to work with my technology community to advance our data center industry so that Virginia was able to unleash hundreds of millions of dollars of revenue for our Commonwealth and Virginia is now the leading site for data centers not only in the U.S. but in the world.

Early when I was in the General Assembly, Virginia had recently lost out to North Carolina on a \$1B Apple Data Center because North Carolina had a more competitive tax incentive than Virginia had at the time. Not wanting to lose out on this growing billion dollar industry, I went to work on improving our Data Center tax incentives with my colleagues, on a bipartisan basis and we passed tax incentive legislation back in 2012 that was signed by a Republican Governor, Bob McDonnell.

The legislation was later updated in 2016 and signed by a Democrat Governor, Terry McAuliffe. In both instances, the incentives passed overwhelmingly. Essentially, the legislation does what H.B. 2450 does – it removes the imposition of sales tax on servers and equipment in data centers on large hyperscale data centers.

Because Kansas imposes sales tax on servers and equipment, there are no hyperscale data centers here. That's a contrast to the sales tax exemption that Kansas has long given to agricultural and manufacturing equipment. Therefore, Kansas is missing out on the significant investments, full time jobs, new state and local tax revenue, and additional economic output that hyperscale data center investments generate.

Let me give you just a snapshot of what the data center industry has meant to Virginia:

According to the Virginia Economic Development Partnership (VEDP), in 2021, the data center industry supported over 45,000 jobs, producing \$3.6 billion in labor income and created \$15.3 billion in economic output across the Commonwealth. Our studies in Virginia also found that our tax incentives returned 90

cents for every dollar theoretically lost but as we see from the map of states with tax incentives, there are no states without incentives that have these hyperscale data centers so it is really a matter of whether data centers are HERE or NOT HERE as to whether the economic benefit will come to your state at all, hence why we in Virginia have continued to update our laws to keep this booming industry thriving in our Commonwealth and why I would encourage Kansas to join the other 30 states who are doing the same.

An enterprise data center can create almost 20 million dollars in annual revenue for a state and localities due to the following:

- Income taxes paid by employees and contractors
- Corporate income taxes from data center operators and contractors
- Sales taxes on business services
- Local real estate and personal property taxes

Thank you and I look forward to answering your questions.