Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

Tax Incentive Evaluation

Georgia Data Center Sales & Use Tax Exemption

Jessie S. Justice
Tommie L. Shepherd

December 2025

Tax Incentive Evaluation: Georgia Data Center Sales & Use Tax Exemption

Prepared by:
The University of Georgia
Carl Vinson Institute of Government

For:
Georgia Department of Audits and Accounts

Date of Delivery:
December 2025

Authors:
Jessie S. Justice
Tommie L. Shepherd

Carl Vinson Institute of Government
University of Georgia
201 North Milledge Avenue
Athens, Georgia 30602

1. Executive Summary

This study examines Georgia's Data Center Sales & Use Tax Exemption (O.C.G.A. § 48-8-3(68.1)), conducted in accordance with the Tax Expenditures Transparency Act of 2024, also known as Senate Bill 366. SB366 tax exemption studies are required to include a brief history of the exemption, an estimate of forgone tax revenue, and any additional costs or revenues incurred by the state in administering the exemption. Studies are required to include an estimate of the economic impact of the exemption on the state economy and an estimate of the overall return on investment of the credit or exemption. Georgia's data center exemption was enacted in 2018 via House Bill (HB) 696 to encourage data centers to locate in Georgia by exempting a portion of construction materials and purchases of computer servers and related equipment from state and local sales and use tax. To qualify for the exemption, the data center must meet a minimum threshold level of investment in the facility and create a minimum number of jobs as prescribed by the enabling legislation.

COMPARISON WITH 2022 STUDY

In an initial data center tax exemption study conducted in 2022, too few taxpayers had utilized the Georgia data center exemption to meet the IRS threshold for aggregation that is necessary to allow for publication of data. Consequently, actual data from the Georgia Department of Revenue could not be utilized or published in the study. Instead, the information used in the prior evaluation to estimate data center construction costs, equipment purchases, and employment was gleaned from a variety of external sources, including data center websites and directories, press releases announcing new data center construction projects, and interviews with industry representatives. For the current study, a sufficient number of taxpayers had utilized the exemption so as to allow for release of aggregated results as well as for a far more comprehensive analysis of the exemption. Information on all data centers currently utilizing, or in the process of applying for, the exemption in Georgia was supplied by the Georgia Department of Revenue. In addition, a comprehensive database of all data centers in the US, including those under construction and announced, was obtained from Aterio, Inc., a real estate data consulting firm. Utilizing this newly available data, this study provides a more comprehensive evaluation of the impacts of Georgia's data center tax incentive, including updated "but for" estimates, economic and fiscal impacts, and projections of future data center construction and energy usage.

"BUT FOR" ANALYSIS

An essential component of the evaluation of tax exemptions is known as "but for" estimation. "But for" refers to the analytical process of estimating how much economic activity is attributable to the incentive. The role of "but for" is to isolate the incremental or causal impact of the exemption by distinguishing activity truly induced by the exemption from activity that would have happened anyway. This counterfactual baseline is essential for evaluating an exemption's effectiveness in terms of economic impact. The "but for" estimate used in this study varies significantly from that of the original 2022 study for several reasons. In 2022, the Georgia High-Tech Data Center Exemption was so new that no utilization history on its use was available. Consequently, "but for" estimates were based on limited information drawn for the few comparable studies that were available at that time. In 2025, the Georgia Department of Revenue was able to supply information on 34 data centers that were either currently utilizing, or had applied for, the exemption. In addition, third party data was available on data centers that were active, under construction, or announced in all 50 states.

Based on data made available since 2022, Institute researchers constructed an econometric model which resulted in a "but for" estimate of 30%, suggesting that, in the absence of the exemption, 70% of data center construction activity in the state would have occurred anyway and that the remaining 30% could be attributed to the tax exemption. This figure differs substantially from the 2022 study, which assumed that 90% of data center activity was due to the exemption.

Tax exemptions are one of many factors that create a positive business climate. Even the most complex models cannot include, or control for, every factor relevant to business decision-making or economic growth (Buss 2001). Other factors include corporate tax rates, commercial real estate prices, utility rates, the risk of natural disasters, the talent pool, and proximity to transportation hubs such as airports and ports. While tax incentives may not be the primary factor in location selection, they are certainly one of a group of factors impacting that decision. Consequently, a lack of incentives, or the repeal of existing incentives, may signal a negative business climate and can create an atmosphere of uncertainty for firms planning to relocate or expand. A large concentration of industry-leading high-tech corporations may serve to improve the business-friendly reputation of a state, whereas an exodus of those same corporations may have the opposite effect.

NET CHANGE IN STATE REVENUE

This analysis provides a measure of the total change in state revenues attributable to Georgia's High-Tech Data Center Equipment Exemption. The largest component of the total fiscal impact is forgone tax revenue resulting from the direct cost of the exemption. This amount, shown in the first row of Table A, is the projected total of qualifying tax exemptions on the purchase of qualified computer equipment and software, based on information supplied by the Georgia Department of Revenue for 2018-2024, with estimates for 2025-2030. In some years, projections

are based on Institute estimates of construction and related equipment spending on qualified data centers between 2018 and 2025, instead of actual reported data, due to the number of unfiled annual reports and ability of data centers to file amended annual reports. Because firms are assumed to spend additional dollars on construction and operations of data centers as a result of the tax exemption, the state will collect additional tax revenues on the direct, indirect, and induced spending associated with these purchases. Estimates of these additional state tax revenues are shown in the second and third rows of Table A.

Estimated gross forgone state tax revenue ranges from a low of $18.3 million in 2018 to a high of $866.7 million in 2030 as data centers accumulate in Georgia (Table A). Forgone revenue increases each year due to the projected construction of additional data centers. Increased state tax collections presented in Table A are subject to the "but for" adjustment (reduced by 70%), representing the assumption that 70% of data center activity would have occurred without or "but for" the tax incentive. Increased state tax revenue from construction of data centers ranges from a low of $1.3 million in 2018 to a high of $48.0 million in 2030. Increased state tax revenue from data center operations ranges from a low of $0 in 2018 to a high of $38.5 million in 2030. The total of increased state tax collections resulting from construction and operation of data centers is not high enough to offset the forgone state tax revenue from the incentive, thus the fiscal impact is negative. The net fiscal impact of Georgia's High-Tech Data Center Equipment Exemption ranges from -$17.0 million in 2018 to -$780.2 million in 2030.

Table A. Net Change in State Revenue from Georgia's Data Center Sales and Use Tax Exemption

	2018	2019	2020	2021	2022	2023
Forgone State Tax Revenue	-$18,342,560	-$27,034,780	-$10,259,968	-$114,388,603	-$226,922,660	-$234,351,535
Increased State Tax Collections from Construction and Equipment	$1,314,149	$1,999,919	$385,739	$747,848	$1,836,775	$11,287,597
Increased State Tax Collections from Operations	$0	$0	$476,528	$875,056	$1,068,010	$2,395,118
Net Fiscal Impact	-$17,028,412	-$25,034,862	-$9,397,702	-$112,765,699	-$224,017,876	-$220,668,820

2024	2025	2026	2027	2028	2029	2030
-$450,575,485	-$474,182,904	-$625,123,551	-$761,583,136	-$789,148,351	-$850,391,015	-$866,728,696
$30,816,240	$34,618,407	$40,041,007	$45,391,626	$46,043,737	$48,221,358	$48,006,722
$3,190,380	$6,923,160	$11,100,739	$13,542,888	$22,896,615	$29,204,379	$38,485,083
-$416,568,865	-$432,641,337	-$573,981,805	-$702,648,623	-$720,207,999	-$772,965,277	-$780,236,891

Source: Institute of Government estimates; IMPLAN 2023 data.

NET CHANGE IN ECONOMIC ACTIVITY

To estimate the economic and fiscal impact of the data center exemption, Institute researchers utilized previous studies from Georgia and other states, along with information from actual data center tax exemption applications, to estimate the cost of constructing and operating data centers in Georgia. The research team projected the annual increase in the total cost of construction of data centers in the state each year from 2018, when the legislation was enacted, through 2030. This trend in construction costs was based on actual and pending data center tax exemption applications as well as future data center announcements in Georgia. The research team also projected permanent employment of data center staff at existing and projected data centers. The largest economic impacts associated with data centers occur during the initial construction period of approximately two to three years.

In the 2022 study, the assumption was made, based on a study commissioned by the Virginia State Legislature, that "but for" the sales tax exemption, only 10% of the projected data center construction projects would have occurred (Virginia JLARC 2019). In other words, the sales tax exemption was assumed to have generated 90% of data center construction. At that time, this figure aligned with anecdotal evidence from industry representatives that, while sales tax incentives might not "seal the deal" on attracting new data center projects, a lack of incentives can certainly "kill the deal".[1] With the availability of substantially more data than was available in 2022, a significantly different "but for" estimate was obtained a using a comprehensive dataset including nationwide information on what data centers are currently active, under construction, and announced. Consequently, an econometric model was developed that allowed researchers to estimate a "but for" percentage in the presence of competition from surrounding states that offer competing tax exemptions. This model accounts for the fact that tax exemptions may become less effective over time as competition among states for data centers intensifies. Updated estimates suggest that, since 2022, only 30% of data center construction in Georgia may be attributed to the exemption, and that the other 70% would have occurred without it. While this new estimate stands in stark contrast to the 2022 figure, it is based on far more comprehensive data and reflects the evolving state of the data center industry, in which certain markets, northern Virginia for example, exhibit rapid growth once a skilled workforce and the necessary supply chains are in place. The projected economic impacts of data center construction and operations through 2030 are shown in Table B, including the "but for" reduction of 70%.

After applying the "but for" reduction, the economic impact of data center construction ranges from a low of $47.5 million in 2018 to a high of $1.5 billion in 2030. Annual operations impact from data centers ranges from a low of $23.2 million in 2020 to a high of $1.4 billion in 2030, with no impact in either 2018 or 2019. These two impacts are added together for a low of $47.5

[1] Based on information provided by professional data industry sources.

million in 2018 and a high of $2.8 billion in 2030. The corresponding return on investment (ROI), calculated on an annual basis, ranges from a low of 158.7% in 2018 to a high of 232.0% in 2030. Annual ROI figures are negative in 2021 and 2022, presumably as a result of the construction slowdown induced by the 2020 pandemic. A projected overall ROI for the 2018-2030 time period eliminates the volatility associated with construction, as well as with amended and extended annual report filing and tax exemption claims by data centers. The projected overall RIO is 186.3%, implying that for each $1 of forgone tax revenue from Georgia's High-Tech Data Center Equipment Exemption, the state accrues approximately $2.86 in value-added impact. This ROI is significantly higher than the alternate use scenario, which yields a value-added impact of $1.32 for each $1 of state revenue collected and spent on public services.

The projected economic impact calculations presented in this report are based on a relatively short-term projection of data centers and their economic impacts, along with accompanying forgone sales tax revenues. The assumption underlying these projections is that current trends in data center construction continue throughout the projection period. Unexpected changes in the current state of data center technology, or significant changes to investment in the artificial intelligence industry could lead to substantially different results. In the long run, however, these companies factor tax incentives, along with other information, into their decision to locate in Georgia or in another state. In other words, data centers may weigh other factors more heavily when initially selecting sites, but uncertainty surrounding tax policy may dissuade them from investing long-term in a certain state, especially when they plan to build a campus with multiple hyperscale data centers. Sales tax exemptions represent a savings that could tilt the relative cost of doing business in favor of states with more generous incentives or longer sunset dates. While analyzing Georgia's overall competitiveness in attracting data centers versus other states is well beyond the scope of this analysis, some measure of Georgia's attractiveness to high-tech companies deserves consideration prior to modifying the current data center tax exemption.

Table B. Net Change in Economic Activity from Georgia's Data Center Sales and Use Tax Exemption, Impact Figures are Value-Added

	2018	2019	2020	2021	2022	2023
Net Forgone State Tax Revenue	-$17,028,412	-$25,034,862	-$9,397,702	-$112,765,699	-$224,017,876	-$220,668,820
Const and Equip Impact (30%)	$47,451,401	$69,549,316	$25,214,365	$32,867,024	$51,426,689	$326,865,698
Operations Impact (30%)	$0	$0	$23,230,541	$33,413,506	$32,782,355	$77,634,632
C&E Plus Ops Impact (30%)	$47,451,401	$69,549,316	$48,444,906	$66,280,530	$84,209,044	$404,500,331
ROI (Impact/Forgone State Tax Revenue)	178.66%	177.81%	415.50%	-41.22%	-62.41%	83.31%

2024	2025	2026	2027	2028	2029	2030
-$416,568,865	-$432,641,337	-$573,981,805	-$702,648,623	-$720,207,999	-$772,965,2775	-$780,236,891
$962,386,149	$1,082,077,378	$1,245,577,507	$1,407,839,965	$1,426,830,661	$1,492,506,166	$1,484,595,224
$113,487,337	$247,004,097	$397,231,980	$486,063,759	$824,213,147	$1,054,383,716	$1,393,545,754
$1,075,873,486	$1,329,081,476	$1,642,809,488	$1,893,903,724	$2,251,043,809	$2,546,889,883	$2,878,140,978
158.27%	207.20%	186.21%	169.54%	212.55%	229.50%	268.88%

Source: Institute of Government estimates; IMPLAN 2023 data.

NET CHANGE IN PUBLIC BENEFIT

Tax incentives have intangible public benefits that cannot be captured by traditional economic impact estimates. These intangible benefits may be stated or implied as the intent—or part of the intent—of a credit, or they may simply accrue as an externality, or side effect, of the credit. While the preceding estimates are based solely on projected tax expenditures and their resulting economic impacts, note that a number of intangible benefits of Georgia's high-tech data center tax exemption, though immeasurable, likely exist.

Although data centers certainly bring jobs and capital investment to the regions where they choose to locate, they are also heavy utility users. One negative effect of a rapidly growing data center industry could be short run strain on the electric grid and local water and sewer infrastructure. Data centers measure their electricity usage on the order of megawatts. The 2022 study noted that the large-scale electricity needs of data centers could strain the power grid during peak times such as heat waves and cold snaps. Researchers projected, based on Aterio data, that by 2030, the average data center in Georgia would be rated at approximately 68MW.

Recent reporting indicates that rapid data center development in Georgia is driving substantial projected increases in electricity demand, though complete and verified statewide usage data is not yet publicly available. Georgia Power has stated that it may need to add up to 10,000 MW of new generation capacity in the coming years, with approximately 80% of that expansion attributed to anticipated data-center load (Washington Post, 2025). This statement aligns closely with Institute researchers' independent projections. In the Atlanta metro area alone, data-center absorption reached approximately 706 MW in 2024, reflecting strong industry growth (Georgia Cities, 2024). Data centers typically consume 10–40 times more electricity per square foot than standard commercial buildings, amplifying their impact on the grid (Governing, 2024).

Overall, the available evidence shows that data centers represent a major driver of future electricity-demand growth, but the current, verified statewide load remains uncertain due to limited public reporting and the early stage of many announced projects.

Heavy electricity usage by data centers could also have some positive effects. Expansion or improvement of the electric grid would likely create new jobs at Georgia Power or local Electric Membership Cooperatives (EMCs). Data centers also prefer sites with renewable energy, encouraging investment in solar, wind, hydroelectric, and nuclear, which benefits residents in the region via increased sustainability and possibly lower electricity rates. Another positive effect of a new data center might be the improvement of internet fiber infrastructure within a county. Although large economic development projects such as data centers are heavy utility users, they may provide the level of investment needed to update or expand aging infrastructure, especially in more rural areas.

2. Georgia's Data Center Sales & Use Tax Exemption: Background

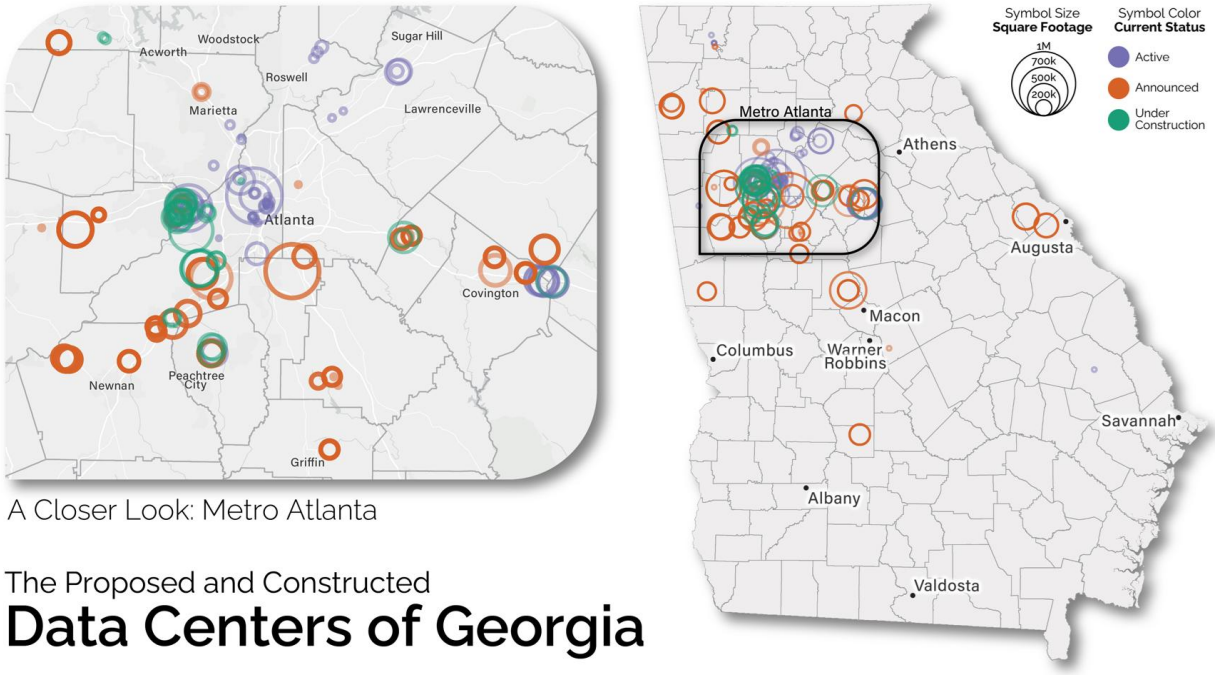
This study is a review of the Georgia High Tech Data Center Equipment Tax Exemption (O.C.G.A. § 48-8-3(68.1)) conducted in accordance Tax Expenditures Transparency Act of 2024, also known as Senate Bill 366 (SB366). SB366 tax exemption studies are required to include a brief history of the exemption, an estimate of forgone tax revenue, and any additional costs or revenues incurred by the state in administering the exemption. Studies are required to include an estimate of the economic impact of the exemption on the state economy and an estimate of the overall return on investment of the credit or exemption. Most importantly, evaluations must address the question of whether the taxpayer's spending and the accompanying economic impact would have occurred in the absence of the exemption, a topic commonly referred to as the "but for" question. This study is one of four produced in 2025 under contract with the Georgia Department of Audits and Accounts by the Carl Vinson Institute of Government at the University of Georgia.

Atlanta emerged as one of the fastest growing data center markets in the United States between 2020 and 2025, driven by strong regional connectivity, abundant power infrastructure, and competitive construction costs. According to market analyses, Atlanta achieved a record 728 MW of net absorption in 2024, reflecting a surge of new hyperscale and colocation data center activity. Demand has been driven largely by AI-driven uses and cloud expansion, within the Southeast region, with Atlanta identified as one of the nation's most rapidly expanding data-center clusters.

Industry forecasts suggest that Atlanta will remain a major growth market, with continued investment expected from hyperscale data centers and enterprise operators. Industry publications note that power availability and land readiness have positioned the region for sustained expansion, though constraints in grid capacity and permitting timelines may temper the pace of new development. Overall, Atlanta's data-center sector is projected to maintain strong momentum through the second half of the decade, supported by AI adoption, digital-infrastructure demand, and the market's established ecosystem of large-scale facilities.

As of December 2025, Georgia is estimated to have 63 active data centers, 35 under construction, and another 249 that have been announced. The majority of these are located in the greater Atlanta metropolitan area of Fulton, Douglas, Fayette, Walton, and Cobb counties (Figure 1. Aterio, 2025).

Figure 1. Georgia Data Centers: 2025



HISTORY

Georgia's data center tax exemption was enacted in 2018 via House Bill (HB) 696. Adjustments were made to qualifying investment amounts and quality jobs by county tiers during the 2022 General Assembly session. The exemption was previously slated to sunset in 2028, but it was extended to 2033 due to passage of HB 1291. In 2022, HB 1291 modified the minimum job creation and investment components of the exemption. Table 1 details these changes.

Table 1. Georgia High-Tech Data Center Equipment Tax Exemption: Minimum Jobs and Investment Required to Qualify by County Population

County Population	Previous Jobs Requirement (2018–2021)	Current Jobs Requirement (2022–2033)	Minimum Investment (2018–2021)	Minimum Investment (2022–2033)
Under 30,000	20	5	$100M	$25M
30,000–50,000	20	10	$150M	$75M
Over 50,000	20	25	$250M	$250M

Source: GA Code § 48-8-3 (2024)

A 2024 proposal (House Bill 1192) sought to pause the issuance of new tax exemption certificates for data centers beginning July 1, 2024 and would have revised the definition of

"new quality jobs" by increasing the new wage differential from 110% of a county's average wage to 150% or more. House Bill 1192 was ultimately vetoed.

PURPOSE

This tax incentive was created to stimulate data processing and storage in the state of Georgia and to create high-quality jobs. The exemption reduces the taxes paid on certain building materials used in the construction of new data centers and computer equipment necessary for the operation of data centers, thereby encouraging more and larger data centers to locate in the state. The incentive has lower thresholds for jobs and investment in counties with populations under 50,000, presumably to encourage data centers to consider locating in rural areas of the state.

IMPLEMENTATION

A high-tech data center (HTDC) is defined as "a facility, campus of facilities, or array of interconnected facilities in the state that is developed to power, cool, secure, and connect its own equipment or the computer equipment of [HTDC] customers." The exemption applies to state and local sales tax, and excludes prewritten computer software, cable, telephone central office equipment, voice-data transmission equipment, training/product-testing equipment, printers, paper, ink, mouse pads, tools, removable storage, and maintenance/repair equipment. Data centers and their customers seeking the exemption must obtain a certificate of exemption from the Georgia state revenue commissioner.

Once a data center is certified for exemption, a minimum investment threshold must be met and a minimum number of quality jobs must be created for the center to receive the exemption, tiered by the population of the county in which it will be constructed. Equipment subject to property tax abatement or any other sales tax exemption (i.e., the computer equipment exemption) does not count toward the minimum investment threshold. Data centers must meet the investment threshold within seven years of their exemption start date. A performance bond of up to $20 million may be required by the Georgia state revenue commissioner and is subject to forfeiture if the minimum investment is not met within the allotted time.

A "quality job" is defined as a new position of 30 or more working hours per week that pays at least 110% of the average wage in the county. In 2022, the Georgia General Assembly made changes to qualifying investment thresholds and quality job creation requirements. Currently, for counties with populations of over 50,000, the minimum threshold is $250 million and 25 jobs must be created, compared to $75 million and 10 jobs in counties with populations between 30,000 and 50,000, and $25 million and five jobs in counties with populations below 30,000. HB 1291 allows HTDCs in counties with populations under 50,000 to also earn quality job tax credits (QJTCs). These HTDCs were previously precluded from claiming QJTCs.

For example, a qualifying data center in Madison County (which has a population of 29,624 according to the 2020 US census) would have a minimum investment of $25 million over a seven-year period and would create a minimum of five new jobs that pay an average weekly wage of $775 (average weekly wage across all private industries in Madison County = $704; US Bureau of Labor Statistics 2020).

3. Georgia's High-Tech Data Center Equipment Tax Exemption: Utilization by the Numbers

The Georgia Department of Revenue (DOR) adheres to IRS regulations in determining the conditions under which taxpayer data may be released. In 2022, too few taxpayers utilized the Georgia high-tech data center exemption to meet the IRS threshold for aggregation that is necessary to allow for publication of data. For the current study, the Georgia Department of Revenue provided applicant information for all data centers currently utilizing or seeking the exemption and the results of annual reports filed by data centers currently receiving it.

The information utilized in this evaluation to estimate data center construction costs, equipment purchases, and employment was gleaned from a number of sources, including the Georgia Department of Revenue, Aterio (a real estate data consultancy specializing in the data center industry), data center websites and directories, press releases announcing new data center construction projects, and interviews with industry representatives. A number of existing economic impact studies (Mangum Research (2021), Mangum Research (2020), US Chamber of Commerce Technology Engagement Center (2017), ESI ECONSULT Solutions Inc. (2019), Virginia Joint Legislative Audit and Review Commission (2019, 2022), Iowa Department of Revenue (2021), Minnesota Legislative Budget Office Data Center Equipment Exemption (2025, Unpublished)) were reviewed as well as the 2022 high-technology data center fiscal note prepared by Georgia State University's Fiscal Research Center (2022).

Other major studies published since the initial 2022 Georgia study highlight the growing economic significance of data centers at both the national and state levels. A 2023–2025 national assessment by the Data Center Coalition and PwC finds the sector contributed more than $2 trillion to U.S. GDP over recent years, driven by strong job multipliers and sustained capital investment. A 2025 study by Zenith Economics projects that U.S. data-center construction alone will support over 570,000 jobs and generate $80 billion in GDP as new hyperscale and AI-driven facilities come online.

State-level analyses show similarly large regional impacts. A 2024 study for the Ohio Chamber of Commerce estimates that data-center activity supported over 95,000 jobs and contributed $11.8 billion to Ohio's GDP, reflecting more than $40 billion in private investment. In the Southeast, a 2025 Georgia market white paper by LandGate reports that the state's data-center sector has roughly doubled in size since 2020, with substantial new demand for land, power, and infrastructure.

4. Data Center Tax Exemptions in Other States

Data center incentives differ widely across the US. Many states require that a minimum number of jobs be created, often requiring that they have higher salaries than the state average in an effort to create "high-quality jobs." Some states tier their incentives based on some measure of distress of a locality. Others allow longer timelines for increasing levels of investment. Some states have sunset dates for their incentives, and others offer incentives into perpetuity. Table 2 compares Georgia's data center incentive with those of its closest neighbors in the Southeast. Individual state discussions of data center tax incentives make note of any significant changes made since the 2022 Georgia data center tax incentive study was published in order to inform the reader of recent tax incentive changes in these states.

REVIEWS OF STATE PROGRAMS

Alabama

Alabama provides data centers with access to industrial development abatements under Title 40, Chapter 9B of state law, which authorize sales, use, and property tax relief for qualifying capital investment. The program uses a tiered framework in which projects investing up to $200 million generally receive up to 10 years of abatement, those investing between $200 million and $400 million may qualify for 20 years, and very large projects exceeding $400 million may be eligible for up to 30 years if investment occurs within the statutory timeframe. Although job requirements are not rigidly fixed in statute, local governments typically negotiate a minimum number of new positions—often around twenty—along with wage expectations. Alabama has no sunset provision for these abatements, and the program has remained stable since its adoption in the early 2010s, with no significant legislative changes after 2022. Administrative guidance from the Department of Revenue continues to govern certification, eligible property, and compliance under Chapter 9B.

Florida

Florida offers a sales and use tax exemption for data center equipment, although the state significantly tightened eligibility in 2025. While earlier statutes focused on capital investment thresholds established in the late 2010s, the legislature enacted HB 7031 in June 2025, which limited the exemption to facilities with at least 100 megawatts of critical IT load, with each owner or tenant contributing at least one megawatt. This change effectively removes eligibility for most sub-100 MW centers beginning August 1, 2025. Florida does not typically impose a job creation requirement for this exemption, though local incentive programs may do so. Investment windows and certificate periods remain governed by administrative rule. Overall, the 2025 legislation represents a major post-2022 revision to Florida's data center incentive framework and reflects a shift toward restricting the benefit to the largest facilities.

Mississippi

Mississippi provides a sales and use tax exemption for certified data center enterprises, administered through the Mississippi Development Authority and Department of Revenue. The program requires a minimum capital investment of $20 million and the creation of at least twenty new full-time jobs, each paying a wage at or above the state's established higher-than-average wage threshold. Investment and job commitments must be met within the certification period specified by state agencies. The statutory framework was last significantly revised in 2019, and no major changes have been adopted since 2022. State incentive publications released in 2025 continue to confirm the $20 million investment requirement and the associated job and wage criteria. Mississippi does not operate a sunset date for this exemption, and qualifying projects may continue to apply under the existing statutory structure.

North Carolina

North Carolina's data center incentives center on sales and use tax exemptions for electricity and equipment used in qualifying facilities. Major revisions in 2016 lowered investment thresholds and broadened eligibility, including provisions allowing tenant investments in multi-user facilities to count toward qualification. A frequently used threshold requires a minimum of $75 million in capital investment within a five-year period, although higher thresholds apply to certain categories of the exemption. Job requirements vary, with some provisions imposing no employment conditions, while others incorporate wages or staffing thresholds depending on the type of exemption sought. The 2016 statutory framework remains fully in effect, and North Carolina has not enacted any substantial modifications since 2022. The Department of Revenue continues to administer certificates and compliance under N.C. Gen. Stat. §105-164.13(55a).

South Carolina

South Carolina provides data centers with sales and use tax exemptions for servers, equipment, software, and sometimes electricity used in qualifying facilities. The state requires a minimum capital investment of $50 million over a five-year period for a single taxpayer, with adjusted thresholds as high as $75 million for multi-tenant or multi-owner projects. Facilities must also create at least twenty-five new jobs, subject to statutory wage expectations and clawback provisions. The exemption, established in the early 2010s, continues to be guided by Department of Revenue rulings, including Revenue Ruling #13-5, which clarifies definitions and qualifying purchases. South Carolina has not materially revised these statutes or thresholds since 2022, and the program remains active without a statutory sunset date.

Tennessee

Tennessee offers a comprehensive sales and use tax exemption for qualified data centers, covering computer equipment, software, backup power systems, cooling infrastructure, and installation services, along with a reduced tax rate on electricity. Historically, Tennessee required a minimum capital investment of $250 million, but recent statutory updates have effectively lowered this threshold to approximately $100 million for many facilities. The program also includes job and wage requirements, generally tied to positions paying above the statewide average, with the exact number of required jobs determined through the certificate process. Investment windows and related compliance periods are governed by Department of Revenue rules. Since 2022, Tennessee has made several adjustments, including clarifying eligible property and codifying the reduced electricity tax rate. These changes reflect the state's ongoing efforts to make the program more accessible while ensuring clear administrative standards.

Virginia

Virginia provides a sales and use tax exemption for data center equipment and related purchases, administered through the Virginia Economic Development Partnership (VEDP) and implemented through project-specific memoranda of understanding. Both capital investment and job creation commitments are required, though the specific thresholds are negotiated and often substantial. The exemption has operated under a statutory sunset originally set for 2035, but the 2025 state budget legislation includes an amendment extending the sunset to 2050, reflecting continued legislative support for the program. Job requirements remain tied to "quality jobs," generally defined by wage and benefit standards. While Virginia has not substantially altered threshold amounts since 2022, the sunset extension represents a major post-2022 policy change. The VEDP continues to oversee compliance and eligibility determinations.

Table 2. Comparison of State Data Center Tax Incentive Programs

State	Min. Investment Threshold	Job Threshold (Wage Req.)	Investment Timeframe	Sunset (Statutory)	Year Exemption Passed/ Major Enactment	Changes Since 2022
Alabama	Tiered: up to **$200M** (10-yr abatement); **>$200M–<$400M** (20-yr); **>$400M** (may qualify for 30-yr abatement if certain timing conditions met).	**~20 jobs** (typical guidance cites job creation requirement and average wage targets in program guidance).	Investment must be made within statutorily defined windows (e.g., counts investments within 10 / 20 years depending on tier).	Abatement term is statutory (10/20/30 years depending on tier).	Data-processing/data center incentives adopted in the early 2010s (Act creating Chapter 9B and later guidance); program in place since ≈2012.	No single statewide repeal since 2022; program remains in Chapter 9B with the tiered 10/20/30 structure.
Florida	Historically: capital thresholds were project-dependent; **2017** statute established specific data-center exemptions for qualifying projects. **(2025 change)**: legislature passed HB 7031 (June 2025) that restricts exemption eligibility to centers with **≥100 MW** critical IT load (effective Aug 1, 2025).	Florida has generally not required a jobs floor for the equipment exemption (varies by program and year).	Statute or administrative certificate windows (varied by program); recent budget bills extended some program sunsets.	Original exemption had sunsets (varied by enactment); HB 7031 and 2025 budget actions changed eligibility; check agency for precise certificate windows.	2017 (major statutory creation/clarification); significant legislative reform in **2025 (HB 7031)**.	Major 2025 reform: HB 7031 (passed June 2025) narrows eligibility (data centers under 100 MW IT load lose the exemption effective Aug 1, 2025); other timing/sunset adjustments appear in 2025 budget language. Florida Senate+1
Mississippi	Statutory minimum **$20M** (state incentive booklet); some secondary sources report other tiers for particular programs, but the Mississippi DOR guidance states **$20M** as a statutory minimum for the "Data Center Enterprises" exemption.	**20 new FT jobs** required, paying **≥125%** of the state average wage (per DOR description).	Statute requires investment be made within the statutory timeframe identified for certification (booklet guidance).	No immediate sunset in statute (program has been in statute since 2019 amendments).	**2019** — statutory amendments enacted (effective July 1, 2019) created/modified data-center exemptions.	Since 2022: program continues under the 2019 framework; there have been bills in 2025 proposing changes to definitions/thresholds for some categories but the DOR incentive booklet (2025) still lists $20M / 20-job rule.
North Carolina	Multiple tiers historically. After 2016 revisions, **$75M (within 5 years)** is a common qualifying threshold for certain exemptions (previously much higher: $150–$250M). NC statute and Commerce guidance describe different thresholds for different exemption categories.	NC does **not** require jobs for the electricity/equipment exemption in all cases (varies by exemption type); multi-tenant tenant investments can count toward the threshold.	Typical statutory windows: **5 years** for counting qualifying private investment in many NC provisions.	Exemptions enacted in 2016 remain in effect (no immediate sunset in the 2016 enactment).	**2016** (major modernization/expansion of data-center exemptions).	Since 2022: no single repeal; the 2016 reforms that lowered thresholds and allowed tenant investments remain the operative law.
South Carolina	**$50M** (investment) for a single taxpayer over a **5-year** period (if multiple taxpayers,	**At least 25 new jobs** (statutory program historically	Investment counted over **5 years** (statute).	No immediate statewide sunset (exemption enacted	**2012** (statutory enactment of data-center exemptions); guidance	No major repeal since 2022; statutory structure (50M / 25 jobs / 5-yr) still cited in SC Dept. of Commerce

	combined thresholds apply — e.g., $75M).	set 25 jobs; wage/clawback rules apply).		in early 2010s and remains in effect; certified facilities remain exempt as provided).	subsequently implemented.	guidance and agency rulings. DataCenterKnowledge+1
Tennessee	Historically **$250M**; statute and more recent bills reduced that **to $100M** (per enacted bill language).	Statute typically requires employment meeting a wage threshold (often expressed as a percent of state average — many sources cite **150% of the state average wage** for qualifying jobs). Exact job counts/requirements depend on statutory subsection.	Statute counts investment over specified multi-year windows (varies by program language); guidance and certificates control timing.	Several targeted exemptions have statutory end dates; the main qualified-data-center exemptions have been amended with new effective/sunset dates in recent sessions — check TN DOR for certificate dates.	Original TN data-center incentives date to earlier statute; **revisions enacted in recent years** (see HB1535 text for enacted changes).	Since 2022: notable statutory action (enacting language that reduced capital investment requirement from $250M to $100M, added explicit exemption of cooling/backup power equipment, and adjusted compliance/certification requirements). Also, temporary/targeted exemptions (e.g., broadband) passed in 2022–2023 with separate windows.
Virginia	Statute requires both a **capital investment** and **employment** threshold (amount varies by program and has been large historically — many projects are treated case-by-case).	Historically, statutes required job creation minimums (and in practice many projects exceed these). Wage floors or "quality job" language commonly used.	Investment timeframe varies by program/agency determination (project certification typically ties to multi-year windows).	Sunset previously set at **2035** for the sales/exemption; **2025 budget action** proposed/ enacted extension (to **2050** in 2025 budget amendment language).	Virginia's major data-center exemptions have been in place since ~2010 (and expanded over the following decade).	Since 2022: continuing high use and legislative attention; 2025 budget amendment extends sunset from 2035 toward 2050 (budget language/amendment enacted in 2025). Much legislative attention and audit work has focused on transparency and the fiscal cost of exemptions.
Georgia	Tiered, county-population based minimums. After **HB 696 (2018)** and **HB 1291 (2022)**, thresholds vary by county population (examples: **$25M–$150M+** depending on county tier) — see DOR rule and HB1291 for the county-tier table.	HB 1291 (2022) revised job requirements by county tier (examples: large counties require **25 quality jobs**; smaller counties require fewer jobs — e.g., 5–10). "Quality jobs" have statutory wage requirements.	Investment must be made within the statutory periods defined in the law (examples: 5-10-year windows depending on tier and provision).	Original sunset scheduled 2028; **HB1291 extended sunset to 2033** (and later legislative activity attempted pauses/changes — a 2024 pause was proposed but vetoed).	**2018 (HB 696)** created the current major exemption structure for high-tech data center equipment; **2022 (HB 1291 / Act 842)** materially amended thresholds and extended sunset.	Since 2022: HB 1291 (2022) changed county-tier thresholds and extended sunset (to 2033). In 2024 there were legislative attempts to pause data-center certificates (some proposals and one vetoed pause); the program continues but has been under active review and temporary administrative actions/discussions.

5. Literature Review

The Institute of Government research team reviewed the existing literature on tax incentives for data centers. Sources included evaluations of incentives in other states, such as Oklahoma and Virginia, as well as reports summarizing trends in incentives across the country.

State and local incentives are often evaluated based on the number of full-time jobs created by the new business they are designed to attract (Miller 2008). This model of evaluation does not result in high returns on investment (ROIs) for data centers, which are highly automated, allowing a small number of workers—almost always less than 100 and more often less than 50—to operate and maintain a facility spanning tens of thousands of square feet. A new data center heralds capital investment in the millions or billions of dollars but creates a much smaller number of permanent jobs than a factory or company headquarters of a similar size. Data center projects generate a large number of construction jobs during the construction phase, but only a fraction of that number of jobs once the center is completed and enters its operational phase.

Because data centers are not employment-intensive projects, the primary benefit of incentivizing them to locate in a certain state or locality is the initial capital investment they inject into the economy. However, the presence of a state tax incentive is far from the primary factor in the site-selection process. Building a data center requires a huge amount of capital investment over years or decades, so companies evaluate a number of criteria before they choose a site.

First, regions prone to natural disasters such as hurricanes, floods, or earthquakes are eliminated from site-selection lists (Von Seggern et al. 2014). Companies looking to construct a new data center generally prefer sites with infrastructure already in place, such as access roads, utility lines, and water/sewer lines. Proximity to highways, railroads, airports, and coastal ports decreases the cost of shipping equipment and supplies during the construction and operation phases. Data centers also need reliable, high-speed internet connections. When selecting a location, companies evaluate the presence of fiber infrastructure and the amount of fiber installation needed if the current infrastructure is insufficient.

Though physical infrastructure is essential in site selection for a data center, by far the most important consideration in the site-selection process is the cost and availability of electricity. Running servers is extremely energy-intensive and gives off huge amounts of waste heat, creating the need for even more energy-intensive cooling technology (Tarczynska 2016). Electricity accounts for about three-fourths of a typical data center's operating expenses. Many states that are hubs for data centers—Washington, Texas, Virginia, North Carolina, and Oregon—also have the lowest cost electricity in the country (US Energy Information Administration 2022). Like other industrial users of electricity, some data centers negotiate lower rates with electricity providers, which can save them millions on power costs. Electricity

is such an essential consideration in the design of a data center that, unlike most commercial projects that are measured in cost per square foot, data center projects are designed and measured in cost per megawatt.[2]

Economic development subsidies and tax incentives are typically only considered during the last phase of the data center site-selection process, after possible choices have been reduced to a short list based on the risk of natural disasters, the current infrastructure, and electricity costs. Some prior research suggests that subsidies carry limited weight. Although subsidies are not the primary factor in data center site selection, companies aggressively seek subsidies from states and localities.

Conclusions vary widely among researchers as to the effectiveness of tax exemptions in attracting data centers to a given location. Competition among states for data centers is viewed by critics as a "race to the bottom" that awards tax breaks to already large and profitable companies (Tarczynska 2016). For example, in 2009, North Carolina and Virginia were competing for an Apple data center. At first, North Carolina seemed to be the prime candidate for Apple's site selection. When Apple indicated it was more interested in Virginia, the North Carolina legislature quickly enacted a tax incentive that was estimated to save the company $300 million over three decades. Though Apple ultimately chose North Carolina for the site of the data center in question, Virginia enacted a sale and use tax exemption on computer equipment to appear more competitive to future high-tech companies.

Echoing Tarczynska's point, Good Jobs First, a public policy resource center, published a 2025 report highlighting generous tax breaks for data centers as a significant drain on state budgets, with at least 10 states losing over $100 million annually in forgone sales and use tax revenue, totaling an estimated $3.1 billion collectively. The study cites, in particular, over $1 billion in data center tax breaks in Texas and $732 million in forgone sales tax revenue in Virginia, while it appears to implicitly assume a "but for" percentage of zero. The study goes on to say that these tax revenue losses are rapidly accelerating, driven by data center construction booms and AI growth, while the centers themselves create minimal permanent jobs.

In contrast, a nation-wide study conducted jointly by the Data Center Coalition and PwC in 2025 found that the industry's annual contribution to U.S. GDP rose from $355 billion in 2017 to $727 billion in 2023 with total tax contributions (federal, state, local) grew from $66.2 billion in 2017 to $162.7 billion in 2023.

Because data centers are capital- rather than labor-intensive projects, the primary benefit these facilities have on the state or local economy is tax revenue. However, fiscal benefits are significantly reduced when governments abate a large portion of those taxes. States often allow

[2] Based on industry representative interviews held in 2025.

for the abatement of three main types of taxes generated by data centers: state and local sales and use taxes on purchases, real property taxes, and personal property taxes (Tarczynska 2016).

While there is not a single, definitive count, somewhere between 37 and 42 states have some type of data center tax incentive (Mangum Economics 2022, CVIOG review of state sales tax exemptions). According to industry stakeholders, sunset dates are one of the most impactful factors of these tax exemptions[3]. Data centers require large amounts of capital investment, and planning takes place over decades, so uncertainty surrounding future tax burdens can create risks for decision-makers in the industry. Twenty-six states have tax incentives that last for 10 or more years, with 11 of them offering incentives with no sunset date (Mangum Economics 2022). Of southeastern states currently offering data center incentives, Mississippi, North Carolina, and Tennessee have no sunset dates. Alabama's incentive lasts for 30 years, and South Carolina's incentive sunsets for new applicants in 2031, with benefits ending in 2041. Again, in this regard, Georgia's data center incentive, with a sunset date of 2033, is more conservative than those in other states in the region.

Competition among states leads not only to the implementation of incentives but also causes states to lower eligibility requirements to compete with one another. From 2012 to 2016, one-third of states lowered eligibility requirements for their data center incentive programs (Mangum Economics 2016). In 2022, Georgia's data center tax exemption was amended to ease requirements for data centers to qualify: job requirements were dropped from 20 to five in counties with populations under 30,000, and from 20 to 10 in counties with populations of 30,000 to 50,000. The minimum number of new jobs was increased from 20 to 25 for counties with populations over 50,000. Minimum investment thresholds were reduced by 75% for the lowest-population counties and by 50% for counties with 30,000 to 50,000 residents.

The implied purpose of lower employment and investment thresholds in Georgia's data center tax incentive is to redirect data centers to less-developed counties. The main reason for focusing economic development policy on the people and places most in need of resources—besides the assertion that areas with higher poverty rates need more economic help than others—is that such a policy is more economically efficient. Unfortunately, research shows that, in most states, only a portion of newly created jobs go to target residents. Skills mismatch between the new company and the current residents reduces the effectiveness of aiming economic development at economically distressed localities (Peters and Fisher 2004). It is politically and practically difficult to maintain a program focused on one area or population without acceding to the demands of other areas and/or populations that want to be granted similar policy instruments.

OTHER STATE EVALUATIONS

Virginia (2024)

In response to the rapid expansion of the data center industry and its increasing economic significance, the Joint Legislative Audit and Review Commission (JLARC) undertook a comprehensive review of data centers' economic effects, fiscal implications, and broader impacts on the Commonwealth of Virginia. The resulting 2024 JLARC report provides the most authoritative, statewide analysis to date of how data centers influence Virginia's economy, labor market, and public finances.

The report concludes that data centers are a major economic contributor primarily due to substantial capital investment and the extensive construction activity they generate. Northern Virginia, long established as the largest data center market in the world, remains the principal focus of industry activity. The region's prominence is attributed to factors including high-capacity fiber infrastructure, availability of land, relatively low energy costs, proximity to federal customers, and the state's long-standing data center tax incentive program.

JLARC estimates that the data center industry supports approximately 74,000 jobs, generates roughly $5.5 billion in labor income, and contributes about $9.1 billion annually to Virginia's gross domestic product. However, the report emphasizes that a majority of these economic benefits stem from the construction phase of facilities, rather than from ongoing operational activity. Construction of individual facilities typically spans 12 to 18 months and, at peak, can employ approximately 1,500 workers from across construction trades. The study notes that this is far more than the relatively modest number of permanent operational jobs, which may be around 50 per facility and often include contract labor arrangements.

From a fiscal perspective, data centers can generate substantial local tax revenues, particularly through business personal property taxes on equipment and real estate taxes. In certain localities with mature data center markets, these revenues represent significant shares of total local tax collections. At the same time, the report notes that some jurisdictions have lowered property tax rates on data center equipment in efforts to remain competitive, which can dampen the total revenue captured.

The JLARC analysis presents these revenue flows against the backdrop of Virginia's sales and use tax exemption for data center equipment, a key incentive that has been in place since 2010 and is scheduled to remain available until 2035. According to JLARC's related fiscal data, data centers have avoided approximately $2.7 billion in state sales and use taxes from FY 2015 through FY 2024, accounting for more than half of the Commonwealth's economic development tax incentives over that period. This underscores both the scale of incentive deployment and the importance of assessing the return on investment in terms of jobs, investment attraction, and tax yields.

Beyond core economic measures, the report also identifies significant infrastructure and energy implications associated with the industry's expansion. Data centers consume large amounts of electricity, driving forecasted growth in statewide demand that will likely require additional generation and transmission capacity. JLARC highlights the risk that utilities and their ratepayers could face increased costs if infrastructure investment outpaces actual demand or if large customers shift energy procurement strategies, as well as the broader challenge of integrating this growth into long-term grid planning. While the JLARC findings affirm the positive contributions of data centers to Virginia's economy, the analysis also makes clear that benefits are highly concentrated in certain regions and phases of the industry life cycle. Construction activity, not operations, drives the largest gains, and economically distressed localities may find it difficult to attract projects despite the potential for tax revenue generation. Additionally, the report notes environmental considerations associated with backup generators and energy use, observing that current permitting frameworks regulate emissions from these sources but that industry growth will continue to put pressure on environmental and infrastructure systems.

Overall, the JLARC study provides a nuanced and empirically grounded assessment of Virginia's data center sector. It underscores the substantial economic and fiscal footprint of the industry, particularly in construction related activity and local tax revenues, while also highlighting the importance of thoughtful policy design, infrastructure planning, and balanced evaluation of long-term costs and benefits.

Ohio (2025)

A 2025 study conducted for the Ohio Chamber of Commerce Research Foundation by SRC EvalMetrics provides one of the most comprehensive assessments to date of the economic and fiscal contributions of data centers in Ohio. The report evaluates both historical impacts from 2017 through 2024 and projected effects through 2030, with the goal of quantifying statewide employment, GDP growth, tax revenue, and the public return on investment associated with tax incentives for data-center development.

The analysis uses IMPLAN input–output modeling to estimate direct data-center activity along with the associated indirect and induced economic effects across Ohio's broader economy. The researchers draw on a combination of federal economic data, state tax and investment records, and project information supplied by major data-center operators.

According to the study, data centers have become a significant and fast-growing component of Ohio's economic base. In 2024 alone, the industry supported approximately 95,200 jobs statewide when accounting for supply-chain and household-spending effects. That same year, data-center operations contributed an estimated $11.8 billion to Ohio's gross domestic product. Since 2017, developers and operators have collectively committed more than $40 billion in private capital to new construction, equipment, and facility expansions. The study further

estimates that data centers generated more than $1 billion in state and local tax revenue in 2024, with cumulative tax collections reaching roughly $5.2 billion over the 2017–2024 period.

A central feature of the report is its fiscal evaluation of state and local tax incentives. Ohio offers a complete sales and use tax exemption on qualifying data-center equipment and construction materials, along with local property-tax abatements that are frequently structured as long-term PILOT agreements. Using its IMPLAN-based revenue estimates, the study concludes that these incentives yield a positive fiscal return, with every dollar of forgone revenue generating approximately $2.10 in tax receipts for state and local governments. After accounting for incentive costs, the study estimates a cumulative net fiscal gain of about $2.7 billion between 2017 and 2024.

Looking ahead, the report projects continued industry expansion. Under baseline growth assumptions, data centers are expected to support roughly 132,500 jobs statewide by 2030 and contribute more than $20 billion annually to Ohio's GDP. The authors note that maintaining a competitive incentive environment will likely be important in sustaining this growth trajectory, given intense national competition for hyperscale and enterprise-scale projects.

While the findings portray a strongly positive economic and fiscal outlook, the study also acknowledges several structural considerations. A substantial portion of the economic impact comes from construction activity, which is inherently cyclical and generates temporary employment. The report also highlights growing pressure on Ohio's electric grid and transmission infrastructure, noting that future grid-modernization costs are not fully incorporated into current fiscal-impact estimates. Independent policy analyses have likewise pointed to the need for ongoing scrutiny of incentive costs relative to long-term benefits, particularly in regions where permanent payroll impacts may be modest.

Overall, the Ohio Chamber of Commerce study presents a favorable assessment of the role data centers play in the state's economy. It concludes that the industry has generated substantial private investment, produced billions in tax revenue, and delivered a positive fiscal return on provided incentives. At the same time, it underscores the importance of infrastructure planning and policy evaluation to ensure that Ohio remains well-positioned to capture the next decade of data-center growth.

Pennsylvania (2019)

A 2019 study by Econsult Solutions provides the foundational economic assessment that has shaped Pennsylvania's policy conversation about data centers. Commissioned by a coalition of industry participants, the Econsult analysis models the statewide economic footprint of existing data centers and simulates alternative growth scenarios that would follow from adopting a broader sales and use tax exemption similar to what many other states offer. The firm combines industry cost and employment benchmarks with input–output modeling to estimate spending,

jobs, wages, and tax receipts under both a "status quo" trajectory and a higher-growth exemption scenario, and it presents illustrative metrics such as sales tax per employee and tax contributions from construction of a typical large facility.

Under Econsult's baseline projections, Pennsylvania's existing data-center operations generate modest but measurable employment and wage impacts (with forecasted operational employment in the low tens of thousands by the mid-2020s), while construction activity for new data center campuses produces substantially larger, concentrated short-term gains. The report emphasizes that much of the headline economic activity tied to data centers accrues during the capital-intensive construction phase when demand for local trade contractors, materials, and professional services spikes, whereas permanent operational staffing at each campus is comparatively small. Econsult explicitly models the different fiscal profiles of these phases and highlights the importance of distinguishing transient construction effects from long-term operational contributions.

On fiscal outcomes, Econsult quantifies the tradeoffs associated with an expanded exemption. The study estimates tax revenues that accrue under both scenarios, direct and indirect taxes from construction, equipment purchases, and ongoing operations, and demonstrates that a generous sales tax exemption would significantly change the timing and composition of state and local receipts by shifting near-term sales taxes from public coffers to developers while potentially increasing longer-term investment and operating activity in the Commonwealth. The report's scenario analysis is careful to show that the net fiscal result depends heavily on assumptions about the scale and timing of projects induced by incentives, the geographic distribution of development, and whether localities alter property-tax treatments or adopt PILOT agreements.

Pennsylvania's Econsult study and subsequent Pennsylvania Public Utility Commission activity together paint a nuanced picture: data centers can deliver substantial private investment and localized economic boosts, but those gains come with infrastructure and fiscal tradeoffs that require careful policy design and regulatory coordination to ensure that the Commonwealth and its communities capture a sustainable net benefit.

6. Economic Impact

To estimate the economic and fiscal impact of the high-tech data center exemption, the Institute of Government research team utilized previous studies from Georgia and other states, along with information from interviews with data center consultants and construction project managers. Actual construction and equipment cost data was taken, when available, from tax exemption applications provided by the Georgia DOR, and projections for other data centers were generated based on this information. The team projected an increase in the total cost of construction of data centers in the state each year from 2018, when the legislation was enacted,

through 2030. This upward trend in construction costs was based on the growing size and sophistication of new data centers, namely the technology used to cool the servers and power backup systems used to keep them running during outages. The research team also projected permanent data center employment based on data center square footage, power rating, and type. Employee wages were based on average wages reported in tax exemption applications.

HOW ECONOMIC ACTIVITY IS MEASURED

Economic impact modeling is a technique used to estimate how a new firm, facility, or policy change will affect a specific region. Such estimates are often produced using an input-output model that first calculates a baseline forecast of economic activity for a geographic region and then estimates how shocks (inputs) to the economy alter economic activity (output). For this report, Institute of Government researchers estimated the economic impacts of Georgia's high-tech data center equipment tax exemption.

Institute researchers use IMPLAN, a widely used and accepted county-level economic model of the United States, to estimate the economic impacts of projects and changes to public policy (IMPLAN 2023). This model produces a baseline economic forecast using data from the US Census Bureau, the North American Industry Classification System (NAICS), the Bureau of Economic Analysis, and the Bureau of Labor Statistics as well as other data from the US Department of Commerce.

An input, or change to the economy, is added to the model. Inputs can be new jobs, labor income, increased demand for goods and services, or a variety of policy changes, such as tax incentives. IMPLAN estimates the increase in economic activity resulting from the change. The measures reported by the model include the number of jobs supported, the labor income associated with those jobs, the value added (or lost) to the economy in the particular geographic region being studied, and the total economic output added (or lost) as a result of the change. In the case of this evaluation, impacts are estimated separately for the construction and operation phases of data centers qualifying for the tax exemption.

It is widely acknowledged that the high-tech industry creates quality jobs. The benefits of quality jobs do not only accrue to those employed in the technology field; there is a positive spillover effect attributed to indirect and induced activity in the surrounding area. An estimate of economic impact should capture all jobs created by the tax credit, including the jobs from direct employment, indirect jobs (associated with the supply chain), and induced employment. Employees of a data center constitute the direct workforce and are paid directly by the company. Indirect jobs primarily come from vendors who supply data centers with all the goods and services required for the firms' operations, including the cashiers at the janitorial supply store and plant workers at electrical utilities. Finally, induced employment includes all of the satellite businesses that spring up due to increased spending in the region.

Total output impacts are the most inclusive, largest measures of economic impact. Because of their high dollar value, total output impacts are often the most quoted figures in economic impact studies and receive the most media attention. One problem with total output as a measure of economic impact, however, is that it includes the value of inputs produced by other industries, which means that there is inevitably some double-counting of economic activity. The other measures of economic impact—employment, labor income, and value-added—are free from double-counting and provide a more realistic measure of the true economic impact.

IMPLAN's value-added figure equates to an increase in state GDP, which consists of employee compensation, proprietor income, property income, and indirect business taxes. Value-added is equivalent to gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus intermediate inputs (consumption of goods and services purchased from other industries or imported). Because value-added impacts exclude expenditures from foreign and domestic trade, they are a more accurate measure of the actual economic benefits flowing to businesses and households in a region—in the case of this evaluation, Georgia—than the more inclusive output impacts.

GROSS ACTIVITY

To produce the most accurate estimates of economic impact, the Institute of Government researchers divided data center activity into two primary economic inputs: construction of the building shell and its accompanying equipment, and annual operating impacts of the data center. The initial server purchases required to fill a newly constructed data center were adjusted for leakage in the impact calculation. Servers and other electrical components are largely imported from overseas, contributing to economic impact only primarily through shipping and setup.

Purchases outside of the region are commonly referred to by economists as "leakage," meaning that dollars spent on these purchases leak from the local economy of the study region (i.e., Georgia) to other regions. Consequently, the associated indirect impact— that is, the impact of materials and labor used to produce the equipment—does not add dollars to the state economy. Data center equipment is typically replaced, or "refreshed," every three to five years. This cycle creates an additional category of ongoing spending with its own economic impact, which was analyzed separately in a companion study of the Computer Equipment Sales Tax Exemption (48-8-3(68)) in 2022.

Using literature from Georgia DOR and other sources, the Institute of Government researchers estimated that construction spending in Georgia would total $3.3 billion in 2025. Construction of facilities in 2025 would employ 15,809 workers (Table 3). In other words, for every $1 million in construction output, 4.75 jobs in the construction industry are created. Dividing direct labor income by the number of direct employees yields the average annual wage. A typical data center construction job in Georgia paid approximately $78,000 in annual wages in 2025. A

significant number of indirect and induced jobs are also created by construction, as contractors purchase supplies and workers spend their wages on goods and services. Including indirect and induced jobs, for every $1 million in construction output, 8.5 total jobs are created in the state of Georgia. This estimate captures the impact on Georgia's economy of data centers that were under construction during 2025.

Table 3. Economic Impact of $3.3 Billion in Direct Construction Output in 2025

Impact	Employment	Labor Income	Value-Added	Output
Direct	15,809	$1,231,869,099	$1,711,951,079	$3,327,831,038
Indirect	4,954	$412,242,265	$746,365,809	$1,438,728,686
Induced	7,587	$444,499,037	$893,176,707	$1,457,284,887
Total	28,350	$2,088,610,402	$3,351,493,594	$6,223,844,611

Source: Institute of Government estimates; IMPLAN 2023 data.

Institute researchers projected permanent, full-time employment in data centers in Georgia to be 1,873 in 2025. The value-added impact of annual operations to the state is $823.3 million (Table 4). The value of annual operations includes employee salaries, utilities, and maintenance. IMPLAN estimates the direct labor income of data center employees at $262.3 million, which includes both employee compensation and proprietor income. The relatively high cost of inputs to data centers and the high salaries of their employees translates to a large proportion of indirect and induced jobs. For each direct job in a data center, 1.9 indirect and induced jobs are created across the state. This estimate captures the impact on Georgia's economy of all data center that were operational during 2025.

Table 4. Economic Impact of $715 Million in Direct Operations Output in 2025

Impact	Employment	Labor Income	Value-Added	Output
Direct	1,873	$262,314,298	$392,407,516	$714,985,059
Indirect	1,815	$125,838,075	$220,972,405	$387,049,638
Induced	1,783	$104,443,068	$209,967,071	$342,537,826
Total	5,471	$492,595,441	$823,346,992	$1,444,572,523

Source: Institute of Government estimates; IMPLAN 2023 data.

Value-added impact figures for data center activity in Georgia between 2018 and 2030 are displayed in Table 5. The Institute research team projected data center activity to increase each year starting with 2018, when the state's data center incentive was enacted. Announcement and construction of new data centers is projected to increase steadily from 2018 through 2030 based

on Georgia DOR applications for new exemptions and Aterio data for recently announced data centers. The value-added impact from data center construction and equipment ranges from $47.5 million in 2018 to $1.5 billion in 2030. Operations impacts grow cumulatively as new data centers continuously come online for the entire period shown. The value-added impact from data center operations ranges from $0 in 2018 to $1.4 billion in 2030.

Table 5. Value-Added Impacts from the Construction and Operation of Data Centers in Georgia, 2018-2030 Based on 30% "But For" Adjustment

	2018	2019	2020	2021	2022	2023
Construction and Equip Impact	$47,451,401	$69,549,316	$25,214,365	$32,867,024	$51,426,689	$326,865,698
Operations Impact	$0	$0	$23,230,541	$33,413,506	$32,782,355	$77,634,632

2024	2025	2026	2027	2028	2029	2030
$962,386,149	$1,082,077,378	$1,245,577,507	$1,407,839,965	$1,426,830,661	$1,492,506,166	$1,484,595,224
$113,487,337	$247,004,097	$397,231,980	$486,063,759	$824,213,147	$1,054,383,716	$1,393,545,754

Source: Institute of Government estimates; IMPLAN 2023 data.

"BUT FOR" ANALYSIS

Though local, state, and federal governments use subsidies as a means of stimulating target industries, the behavior of private business is ultimately driven by maximizing profits and minimizing risks. Even substantial subsidies offered by local governments cannot outweigh certain aspects of the business climate. Governments have little control over several important site selection factors, including the talent pool and the risk of natural disasters. Likewise, according to industry sources, clustering of the data center industry in certain locations often occurs organically, influenced by factors such as the development of a trained construction workforce and supply chains for necessary construction materials. Those studying the economic relationship between public policy and the behavior of private firms must ask an essential question: how much of this activity would have occurred without (i. e., "but for") the incentive or subsidy of interest?

To calculate the return on investment (ROI) of Georgia's data center incentive, Institute researchers had to first estimate the total amount of data center activity that would have occurred in the state and then separate this activity into that which may be attributed to the incentive and that which would have likely occurred without it. As previously discussed, data centers consider a myriad of factors when choosing a site, with electricity, low risk of natural disasters, and utility infrastructure ranking high on the list of considerations. However, with at least 37 states now offering some form of subsidy for data centers (Mangum Economics 2022),

the presence or absence of an incentive likely plays a larger role in site selection than some previous studies have suggested (Bruns 2014).

Institute of Government researchers estimated a fixed effects regression model to determine the "but for" value of Georgia's data center sales tax exemption. The fixed effects approach controls for unobservable, time-invariant characteristics that could bias estimates of the share of economic activity attributable to the exemption. The model also accounts for time-varying factors influencing data center location decisions, including average industrial and commercial electricity rates, local labor availability, and average wages in the data processing and web hosting sector (used as a proxy for data center wages).

Data center employment used in the model was derived from a proprietary national dataset developed by ATERIO, which catalogs all U.S. data centers, combined with Institute estimates of employees per thousand square feet based on Georgia Department of Revenue data from tax exemption applications. Although alternative causal modeling techniques were considered, data limitations made those methods less reliable for estimating the "but for" value in this study.

Institute researchers estimated that 30% of data center activity in Georgia was attributable to the presence of the tax incentive, and that the remainder (70%) of data center activity likely occurring without it. This estimate represents a significant departure from the "but for" estimate used in the 2022 study. In the current study, a fixed effects model was used to account for the evolving nature of "but for" as momentum in data center construction develops in rapidly changing markets such as the Atlanta area.

Table 6 compares projections of forgone state tax revenue with the economic impact of construction and operations spending incentivized by that forgone revenue. The ROI is significantly positive, due to the fact that a relatively small tax expenditure is associated with a massive amount of construction spending. This ROI remains consistently positive across years, with the exception of 2021 and 2022, because the modeling process assumes that new data centers are continually under construction. Note that the economic impact of a single data center, in isolation, would drop off significantly after the construction period, since the impact of post-construction operations is much lower.

A projected overall ROI for the 2018–2030 time period eliminates the volatility associated with construction, as well as with amended and extended annual report filing and tax exemption claims by data centers. The projected overall ROI is 186.3%, implying that for each $1 of forgone tax revenue from Georgia's High-Tech Data Center Equipment Exemption, the state accrues approximately $2.86 in value-added impact.

Further analysis of Table 6 reveals the dynamic nature of the tax expenditure/economic impact interaction. During 2018 – 2019, the majority of construction and equipment impact is from

construction only, since qualifying data centers must be completed before being filled with equipment. During 2018-2019 there is no impact from operations since the data centers in question are still under construction and have no permanent employees. The year 2020 slows the entire process substantially due to the pandemic. 2021 begins an upward trend for both forgone revenue and all categories of impacts, as construction rebounds, data centers that were started in 2018 and 2019 are completed and filled with equipment, and permanent data center job numbers begin to grow. By 2023, construction impacts have surpassed forgone tax revenue, hence the change to a positive ROI, a trend that continues throughout the 2030 forecast period.

Table 6. Return on Investment Calculation Based on 30% "But For" Scenario, 2018-2030

	2018	2019	2020	2021	2022	2023
Net Forgone State Tax Revenue	-$17,028,412	-$25,034,862	-$9,397,702	-$112,765,699	-$224,017,876	-$220,668,820
Const and Equip Impact (30%)	$47,451,401	$69,549,316	$25,214,365	$32,867,024	$51,426,689	$326,865,698
Operations Impact (30%)	$0	$0	$23,230,541	$33,413,506	$32,782,355	$77,634,632
C&E Plus Ops Impact (30%)	$47,451,401	$69,549,316	$48,444,906	$66,280,530	$84,209,044	$404,500,331
ROI (Impact/Forgone State Tax Revenue)	178.66%	177.81%	415.50%	-41.22%	-62.41%	83.31%

2024	2025	2026	2027	2028	2029	2030
-$416,568,865	-$432,641,337	-$573,981,805	-$702,648,623	-$720,207,999	-$772,965,277	-$780,236,891
$962,386,149	$1,082,077,378	$1,245,577,507	$1,407,839,965	$1,426,830,661	$1,492,506,166	$1,484,595,224
$113,487,337	$247,004,097	$397,231,980	$486,063,759	$824,213,147	$1,054,383,716	$1,393,545,754
$1,075,873,486	$1,329,081,476	$1,642,809,488	$1,893,903,724	$2,251,043,809	$2,546,889,883	$2,878,140,978
158.27%	207.20%	186.21%	169.54%	212.55%	229.50%	268.88%

Source: Institute of Government estimates; IMPLAN 2023 data.

ALTERNATE USE OF FORGONE REVENUE

When evaluating tax credits, it is important to consider not only what is being gained by stimulating the desired activity, but also what is being given up. The analysis presented in Table 7 explores the economic impact of the forgone revenue if the state had collected and spent it on social programs and other services. In Georgia, 56.6% of state expenditures go to education: 42 cents of a given tax dollar collected goes to pre-k through 12th-grade education, and 15 cents of that dollar goes to postsecondary education (Georgia General Assembly 2021). Health care makes up the second-largest piece of Georgia's budget at 23 cents of every tax dollar. The remaining 20 cents of each tax dollar is spent on public safety, transportation, and other government services.

The Institute research team calculated the economic impact of the alternate- use scenario using 2025 as an example year (Table 7). Georgia State University's Fiscal Research Center (FRC) provided an IMPLAN template used to calculate the alternate-use scenario to ensure consistency across all institutions and tax studies conducted in 2025. By collecting and spending the projected $474 million in revenue, the State of Georgia would have created a value-added economic impact of $624.6 million through direct, indirect, and induced employment and spending. That $474 million in state revenue would create 7,981 direct jobs, meaning that 17 state government jobs are created for each $1 million in revenue. If indirect and induced jobs are included, each $1 million in revenue supports 22 jobs across the state, including jobs in private industry.

Table 7. Alternate-Use Impact of Forgone State Tax Revenue for 2025 (4%)

Impact	Employment	Labor Income	Value-Added	Output
Direct	7,981	$355,000,000	$349,400,000	$474,200,000
Indirect	656	$39,800,000	$70,000,000	$129,900,000
Induced	1,824	$103,600,000	$205,100,000	$331,200,000
Total	10,371	$498,400,000	$624,600,000	$935,200,000

Source: Institute of Government estimates; IMPLAN 2023 data; FRC 2025.

Forgone state tax is projected to range from a low of $18.3 million in 2018 to a high of $866 million in 2030 as data centers accumulate in Georgia (Table 8). Forgone revenue increases each year due to the projected construction of new data centers. ROI of the alternate-use scenario stays consistent at 0.32, meaning that for every $1 of tax revenue that the state collects and spends in a given year, $1.33 accrues to the state economy.

Table 8. Forgone State Tax and Alternate Use of Forgone State Revenue, 2018-2030

	2018	2019	2020	2021	2022	2023
Forgone State Tax Revenue	-$18,342,560	-$27,034,780	-$10,259,968	-$114,388,603	-$226,922,660	-$234,351,535
Alternate Use Impact	$24,200,000	$35,600,000	$13,500,000	$150,700,000	$298,900,000	$308,700,000
ROI (Alternate Use)	0.32	0.32	0.32	0.32	0.32	0.32

2024	2025	2026	2027	2028	2029	2030
-$450,575,485	-$474,182,904	-$625,123,551	-$761,583,136	-$789,148,351	-$850,391,015	-$866,728,696
$593,500,000	$624,600,000	$823,400,000	$1,003,100,000	$1,039,400,000	$1,120,100,000	$1,141,600,000
0.32	0.32	0.32	0.32	0.32	0.32	0.32

Source: Institute of Government estimates; IMPLAN 2023 data; FRC 2025.

Note: ROI of the tax exemption is calculated based on Net Forgone State Revenue (e.g. gross forgone revenue less additional state taxes collected).

NET ECONOMIC ACTIVITY

Table 9 summarizes the results of the previous sections by directly comparing economic impacts and ROI of the data center sales tax exemption with the economic impacts and ROI of the alternate use scenario. Note that the significantly higher impact and ROI of the sales tax exemption is driven by the construction of new data centers and not by the ongoing operations of completed data centers.

Table 9. Projected Economic Impact of Georgia's Data Center Equipment Tax Exemption, Alternate Use Economic Impact, and ROI by Year, 2018-2030 (Adjusted for "But For")

	2018	2019	2020	2021	2022	2023
Cons and Equip Impact (30%)	$47,451,401	$69,549,316	$25,214,365	$32,867,024	$51,426,689	$326,865,698
Operations Impact (30%)	$0	$0	$23,230,541	$33,413,506	$32,782,355	$77,634,632
Gross Forgone State Sales Tax Revenue	-$18,342,560	-$27,034,780	-$10,259,968	-$114,388,603	-$226,922,660	-$234,351,535
Total Impact (30%)	$47,451,401	$69,549,316	$48,444,906	$66,280,530	$84,209,044	$404,500,331
Incentive ROI	178.66%	177.81%	415.50%	-41.22%	-62.41%	83.31%
Alt.-Use Value-Added	$24,200,000	$35,600,000	$13,500,000	$150,700,000	$298,900,000	$308,700,000
Alt.-Use ROI	0.32	0.32	0.32	0.32	0.32	0.32

Table 9. Cont.

	2024	2025	2026	2027	2028	2029	2030
Construction Impact (30%)	$962,386,149	$1,082,077,378	$1,245,577,507	$1,407,839,965	$1,426,830,661	$1,492,506,166	$1,484,595,224
Operations Impact (30%)	$113,487,337	$247,004,097	$397,231,980	$486,063,759	$824,213,147	$1,054,383,716	$1,393,545,754
Forgone State Sales Tax Revenue	-$450,575,485	-$474,182,904	-$625,123,551	-$761,583,136	-$789,148,351	-$850,391,015	-$866,728,696
Total Impact (30%)	$1,075,873,486	$1,329,081,476	$1,642,809,488	$1,893,903,724	$2,251,043,809	$2,546,889,883	$2,878,140,978
Incentive ROI	158.27%	207.20%	186.21%	169.54%	212.55%	229.50%	268.88%
Alt.-Use Value- Added	$593,500,000	$624,600,000	$823,400,000	$1,003,100,000	$1,039,400,000	$1,120,100,000	$1,141,600,000
Alt.-Use ROI	0.32	0.32	0.32	0.32	0.32	0.32	0.32

Source: IMPLAN (2023).

Note: ROI of the tax exemption is calculated based on Net Forgone State Revenue (e.g. gross forgone revenue less additional state taxes collected). ROI of the alternate use is calculated based on Gross Forgone State Revenue.

7. Fiscal Impact

This section presents estimates of the fiscal impact of Georgia's High-Tech Data Center Equipment Exemption on the state budget. This analysis provides a measure of the total change in state revenues attributable to the exemption. Local property tax revenue is addressed on page 45. The largest component of the total fiscal impact is forgone tax revenue resulting from the direct cost of the exemption. This amount, projected to 2030, is shown in the first row of Table 10. Projections are based on Institute estimates of construction and operation costs of data centers, which increase from 2018 through 2030.

Because firms are assumed to spend additional dollars on construction and operations of data centers as a result of the tax exemption, the state will collect additional tax revenues on the direct, indirect, and induced spending associated with these purchases. IMPLAN's estimates of these additional state tax revenues are shown in the second and third rows of Table 10.

Other aspects of the fiscal impact calculation include additional state revenue, administrative costs, and reduced state spending. Because there are no application fees or other costs associated with utilizing the incentive, additional revenues to the state (typically fee revenue) are assumed to be zero. Based on conversations with Georgia Department of Revenue officials, only one new position has been created to administer or audit this tax exemption program, so that additional personnel resources currently allocated to administering the incentive are minimal; therefore, this cost is also assumed to be zero and thus not included in Table 10. There are also no known reductions in state spending that result from the credit; hence, this is also assumed to be zero and is similarly not included in Table 10.

Gross forgone state tax ranges from a low of $18.3 million in 2018 to a high of $866.7 million in 2030 as data centers accumulate in Georgia (Table 10). Forgone revenue increases each year due to the construction of additional data centers, as projected by institute researchers. Increased state tax collections presented in Table 10 are subject to the "but for" adjustment (multiplied by 0.3), representing the assumption that only 30% of data center activity would have occurred "but for" the tax incentive. Increased state tax revenue from construction of data centers ranges from a low of $1.3 million in 2018 to a high of $48.04 million in 2030. Increased state tax revenue from data center operations ranges from a low of $0 in 2018 to a high of $38.5 million in 2030. The total of increased state tax collections resulting from construction and operation of data centers is not high enough to offset the forgone state tax revenue from the incentive, thus the fiscal impact is negative. The net fiscal impact of Georgia's High-Tech Data Center Equipment Exemption ranges from -$17.0 million in 2018 to -$780.2 million in 2030.

Table 10. Forgone State Tax, Increased State Tax Collected Due to Incentive, Total Fiscal Impact 2018-2030

	2018	2019	2020	2021	2022	2023
Forgone State Tax Revenue	-$18,342,560	-$27,034,780	-$10,259,968	-$114,388,603	-$226,922,660	-$234,351,535
Increased State Tax Collections from Construction and Equipment	$1,314,149	$1,999,919	$385,739	$747,848	$1,836,775	$11,287,597
Increased State Tax Collections from Operations	$0	$0	$476,528	$875,056	$1,068,010	$2,395,118
Net Fiscal Impact	-$17,028,412	-$25,034,862	-$9,397,702	-$112,765,699	-$224,017,876	-$220,668,820

2024	2025	2026	2027	2028	2029	2030
-$450,575,485	-$474,182,904	-$625,123,551	-$761,583,136	-$789,148,351	-$850,391,015	-$866,728,696
$30,816,240	$34,618,407	$40,041,007	$45,391,626	$46,043,737	$48,221,358	$48,006,722
$3,190,380	$6,923,160	$11,100,739	$13,542,888	$22,896,615	$29,204,379	$38,485,083
-$416,568,865	-$432,641,337	-$573,981,805	-$702,648,623	-$720,207,999	-$772,965,277	-$780,236,891

Source: Institute of Government estimates; IMPLAN 2023 data.

8. Ancillary Impacts and Recommendations

In most cases, tax incentives have intangible public benefits that cannot be captured by traditional economic impact estimates. These intangible benefits may be stated or implied as the intent—or part of the intent—of a credit, or they may simply accrue as an externality, or side effect, of the credit. While the preceding estimates are based solely on projected tax expenditures and their resulting economic impacts, note that a number of intangible benefits of Georgia's high-tech data center tax exemption, though immeasurable, likely exist.

Although data centers certainly bring jobs and capital investment to the regions where they choose to locate, they are also heavy utility users. One negative effect of a hyperscale data center could be strain on the electric grid and local water and sewer infrastructure. Data centers measure their electricity usage on the order of megawatts. The large-scale electricity needs of data centers could strain the power grid during peak times such as heat waves and cold snaps. Electricity impacts are discussed in more detail on page 41. Data centers often require constant water flow for cooling purposes, in some cases straining already aging pipes and water purification plants.

Heavy electricity usage by data centers could also have some positive effects. Expansion or improvement of the electric grid would likely create new jobs at Georgia Power or local Electric Membership Cooperatives (EMCs). Data centers also prefer sites with renewable energy, encouraging investment in solar, wind, hydroelectric, and nuclear energy, which benefits residents in the region via increased sustainability and possibly lower electricity rates. Another positive effect of a new data center might be the improvement of internet fiber infrastructure within a county. Although large economic development projects such as data centers are heavy utility users, these projects often provide the level of investment needed to update or expand aging infrastructure, especially in rural areas.

The projected economic impact calculations presented in this report are based on a relatively short-term projection of data centers and their economic impacts, along with accompanying forgone sales tax revenues. The assumption underlying these projections is that current trends in data center construction continue throughout the projection period. Unexpected changes in the current state of data center technology or significant changes to investment in the artificial intelligence industry could lead to substantially different results. In the long run, however, companies factor tax incentives, along with other information, into their decisions to locate in Georgia or in another state. In other words, data centers may weigh other factors more heavily when initially selecting sites, but uncertainty surrounding tax policy may dissuade them from investing long-term in a certain state, especially when planning to build campuses with multiple hyperscale data centers. Sales tax exemptions represent a savings that could tilt the relative cost of doing business in favor of states with more generous incentives or longer sunset

dates. While analyzing Georgia's overall competitiveness in attracting data centers versus other states is well beyond the scope of this analysis, some measure of Georgia's attractiveness to high-tech companies deserves consideration prior to modifying the current data center tax exemption.

Tax exemptions are one of many factors that create a positive business climate. Even the most complex models cannot include or control for every factor relevant to business decision-making or economic growth (Buss 2001). Other factors include corporate tax rates, commercial real estate prices, utility rates, the risk of natural disasters, the talent pool, and proximity to transportation hubs such as airports and ports. While tax incentives may not be the primary factor in location selection, they are certainly one of a group of factors impacting that decision. Consequently, a lack of incentives, or a repeal of existing incentives, may signal a negative business climate and may create an atmosphere of uncertainty for firms planning to relocate or expand. Note also that a large concentration of industry-leading high-tech corporations may serve to improve the business-friendly reputation of a state, whereas an exodus of those same corporations may have the opposite effect.

Note additionally that state sales tax incentives, such as the one analyzed here, are incremental. That is, if a data center fails to locate in a given state due to lack of a tax incentive (or any other factor), the potential sales tax is never collected. If that same data center chooses to locate in a state because of the exemption, the sales tax is still not collected, but the state stands to collect secondary taxes induced by the presence of the business. The assumption that tax revenue is actually forgone ultimately rests on the estimated, but ultimately unknown, "but for" parameter.

In the most optimistic scenario, Georgia's data center equipment tax exemption supports both the growth of a burgeoning industry and workforce development efforts by creating quality jobs in both construction and data center operations. This exemption has been a factor in attracting new and well-known companies that enhance Georgia's reputation as a good location to do business. The high concentration of tech companies in Georgia, specifically the Atlanta metropolitan area, builds the state's reputation as a technology hub.

Enhancing the ROI of an exemption may generally be accomplished in one of two ways. First, steps could be taken to reduce the amount of forgone tax revenue; and second, requirements for qualifying expenditures could be directed towards areas that produce a greater economic impact. With data centers, for example, forgone tax revenue might be reduced by restructuring those items that are exempted from state sales tax. Similarly, economic impact might be increased by requiring greater investment in activities that generate relatively more impact, such as construction, which draws more heavily on in-state resources, than electrical components, which are largely imported from outside the state.

PROJECTED ELECTRICITY USE BY DATA CENTERS IN GEORGIA

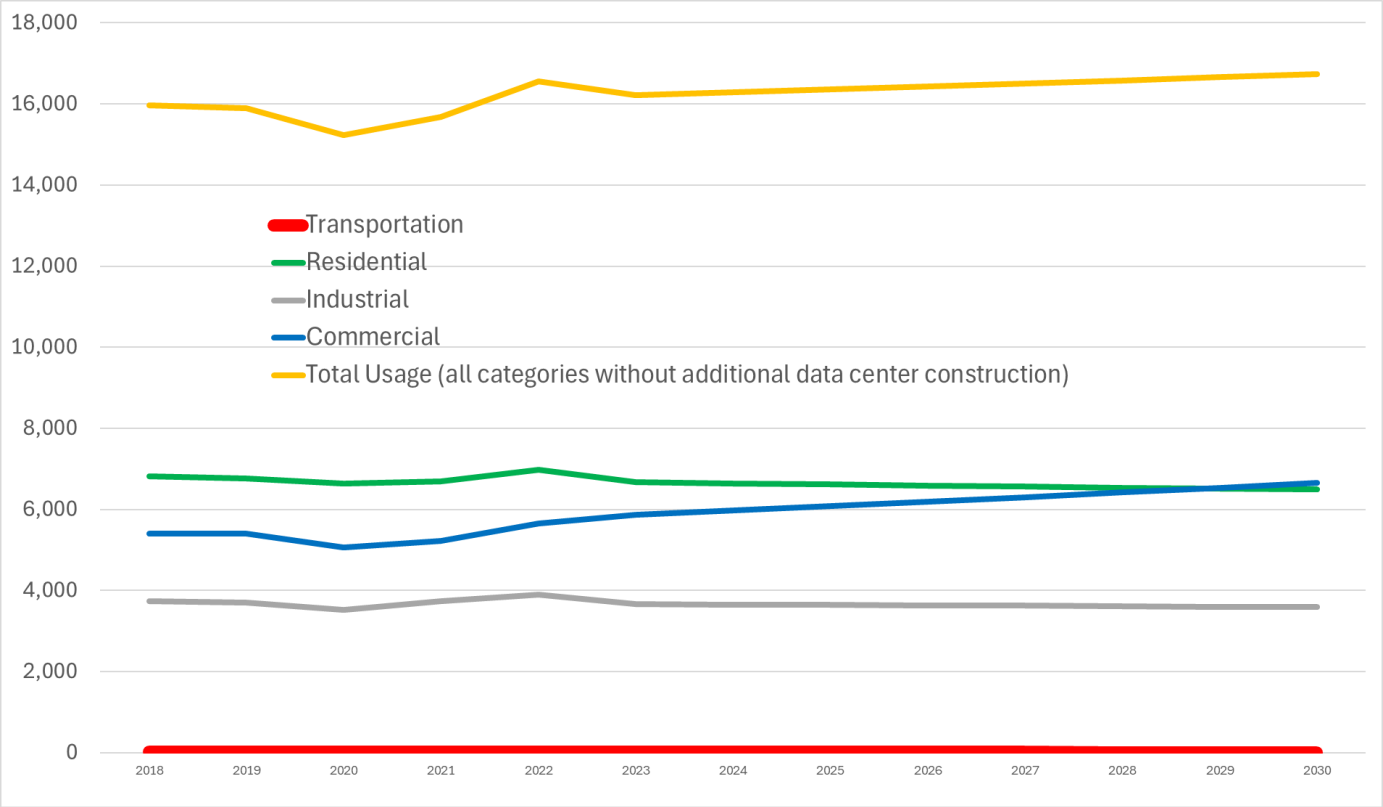
Electricity consumption by data centers has become one of the most consequential drivers of energy-sector change in Georgia. National research by Lawrence Berkeley National Laboratory estimates that US data centers consumed roughly 176 terawatt-hours of electricity in 2023—about 4.4 percent of total US electric demand—and projects that usage could double or even triple by 2028. Georgia is at the leading edge of this trend. The state's largest utility, Georgia Power, reports an unprecedented wave of data center development, including traditional cloud facilities and energy-intensive AI computing centers. According to filings and industry reporting, the company anticipates needing approximately 10,000 megawatts of new generating capacity over the next several years, with about 80 percent of that requirement tied directly to planned data center load.

Georgia's rapid data center expansion has the potential to provide major economic benefits, including strengthening its position in the national digital and AI economy, attracting long-term investment, and driving grid modernization initiatives. This rapid expansion also comes with some implicit risks. Forecasts of more than 8,000 MW of new demand have prompted concerns about potentially inflated projections, higher customer rates if infrastructure is overbuilt, and rising environmental impacts, since most near-term generation needed to serve data centers is expected to come from fossil fuels.

There is also the risk associated with uncertainty in the project pipeline. Many data center announcements represent expressions of interest rather than binding commitments. If a portion of the expected development does not proceed, the state could be left with overbuilt generation capacity and long-term financial obligations that must be recovered from ratepayers. Conversely, if growth materializes faster than expected, the state may face reliability constraints, forcing the utility to procure additional resources at higher cost.

In order to analyze the potential energy impacts of additional data centers coming online in Georgia, Institute researchers assembled data from the US Energy Information Administration (EIA) on historical energy usage by sector (Figure 2.) The EIA primarily considers data centers part of the commercial sector, grouping them into the "Other" building category in surveys, but acknowledges their significant, industrial-scale energy use, driving growth in commercial electricity demand, especially in states with tech hubs. While data centers aren't a distinct published category like offices, their energy consumption (cooling, computing) is substantial and tracked within commercial data. Figure 2 compares electricity usage by each of the four broad categories: transportation, residential, commercial, and industrial with the total for all four. Institute researchers projected future consumption by category (without additional data centers) based on historical EIA data.

Figure 2. Georgia Electricity Usage for All Categories and Totals in Megawatts (with projections to 2030)



Institute researchers estimated incremental data center electricity usage to 2030 for active, under construction, and announced data centers based on a combination of Georgia Department of Revenue data and Aterio data. These estimates are shown in Figure 3. Projections beyond 2030 were disregarded as being increasingly unreliable due to the extreme uncertainty surrounding the data center industry, including public opposition to construction of new data centers, energy and water availability concerns, and broader financial skepticism about the future profitability of the industry.

Figure 3. Projected Electricity Usage in Megawatts by Georgia Data Centers: 2018-2030

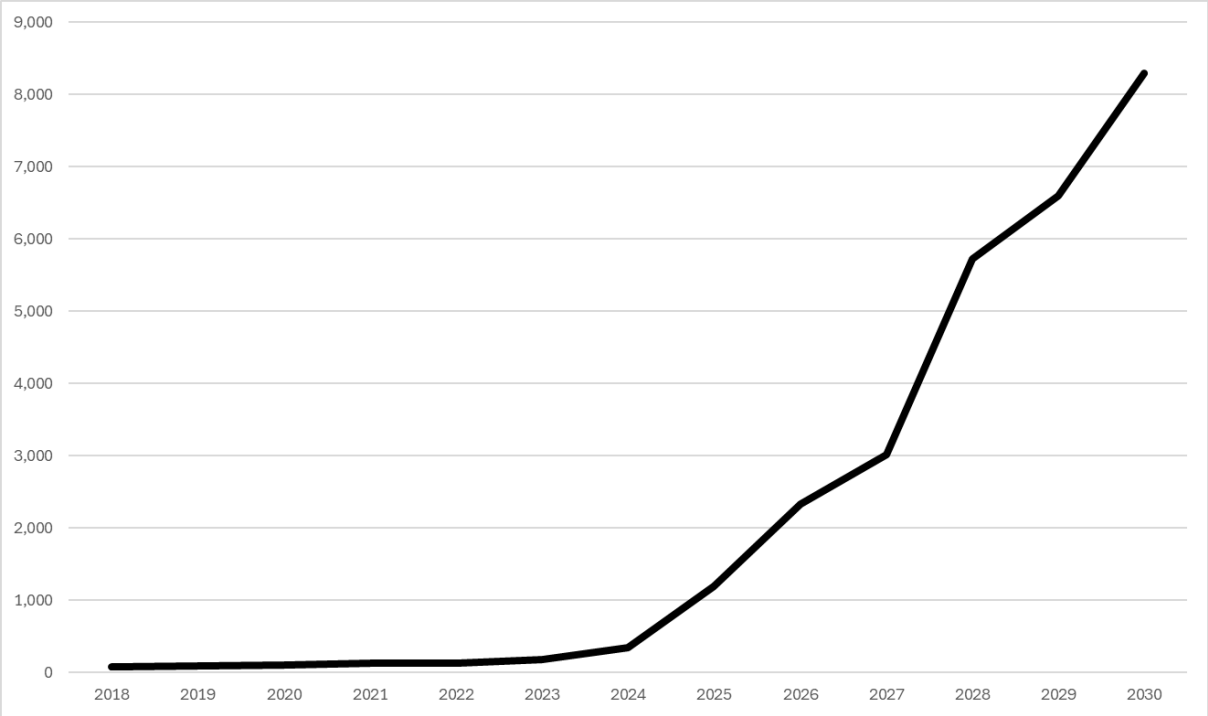
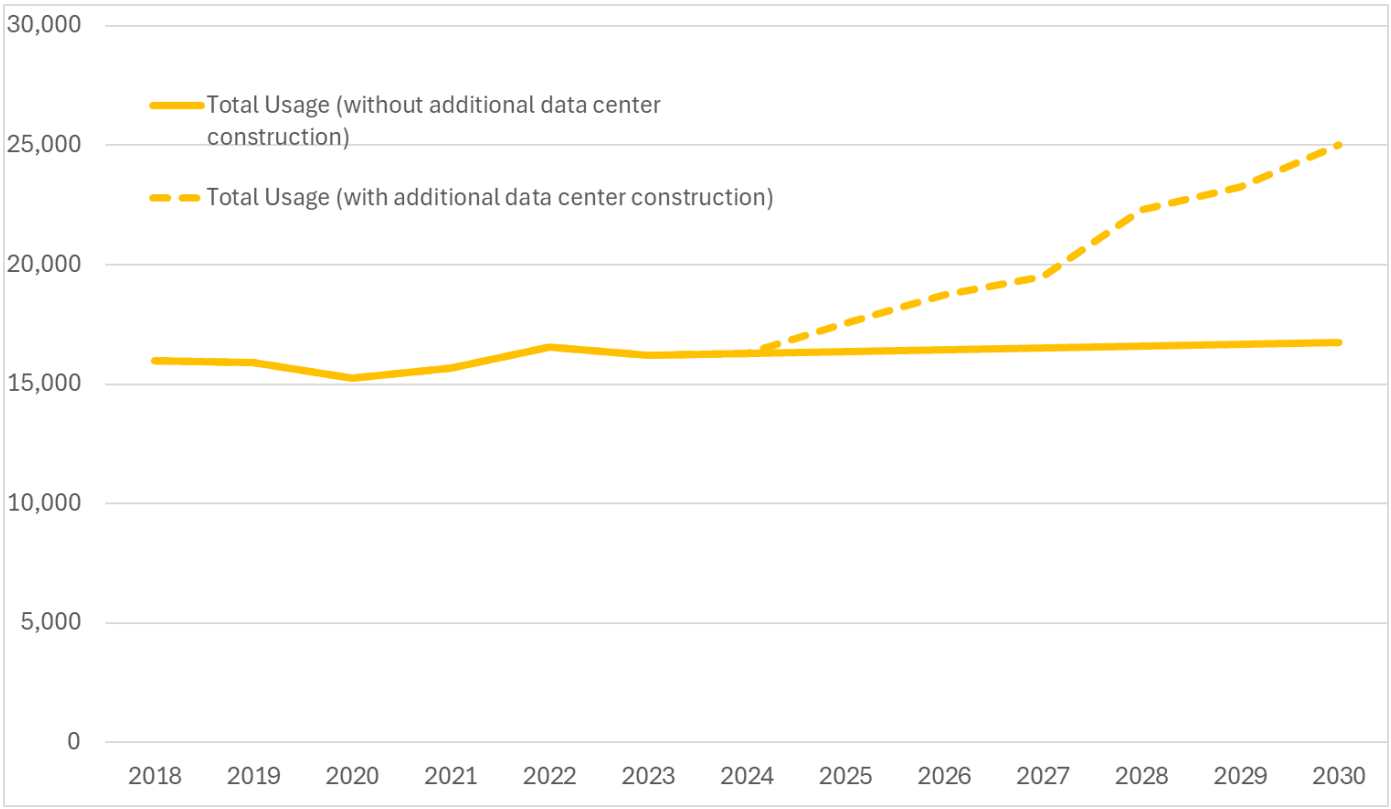


Figure 4 compares the incremental change in total electricity demand with and without additional data center construction out to 2030. Based on these projections, total electricity demand is 49% higher by 2030 due to construction of additional data centers.

These estimates should be interpreted with caution since they provide only a very high-level view of demand for electricity in the state. These high-level projections cannot address potential local supply and demand imbalances in individual electricity markets with a high concentration of both data centers and other users. It should also be noted that these annual estimates cannot address seasonal electricity demand issues that may lead to short term supply/demand imbalances during certain times of the year.

A more detailed analysis of these issues is certainly warranted and worthy of multidisciplinary research that would ideally include input from electrical engineers, electrical utilities, and data center operators.

Figure 4. Projected Increase in Total Electricity Demand V. Summer Capacity: 2018-2030



In summary, Georgia's projected data center electricity use is emerging as one of the most significant drivers of future energy demand in the state. National forecasts show US data center consumption doubling or possibly even tripling by 2028, and Georgia Power anticipates needing up to 10,000 MW of new capacity, mostly to serve data centers. This rapid growth would position Georgia as a potential national hub for digital and AI infrastructure. While such growth offers the opportunity for major economic and grid-modernization benefits, it also raises concerns about forecast uncertainty, potential ratepayer cost exposure, and increased reliance on fossil-fuel generation. Institute estimates suggest that additional data centers could increase statewide electricity demand by 49% between 2025 and 2030.

LOCAL PROPERTY TAX ABATEMENTS FOR DATA CENTERS IN GEORGIA

In addition to the state-level sales tax exemption, local tax incentives have shifted much of the economic, and political, spotlight to the county and local level, where property tax abatements, PILOTs (payment-in-lieu-of-taxes), and other incentive deals are negotiated on a case-by-case basis. While the state sales tax incentive was enacted in order to attract data centers to Georgia, local property tax abatements are often used to encourage data centers to locate in a specific county or city within the state. At the local level, counties and development authorities play the decisive role in negotiating property tax abatements, PILOTs, and other discretionary incentives for specific projects. This local discretion means the fiscal tradeoffs and revenue impacts vary substantially across jurisdictions.

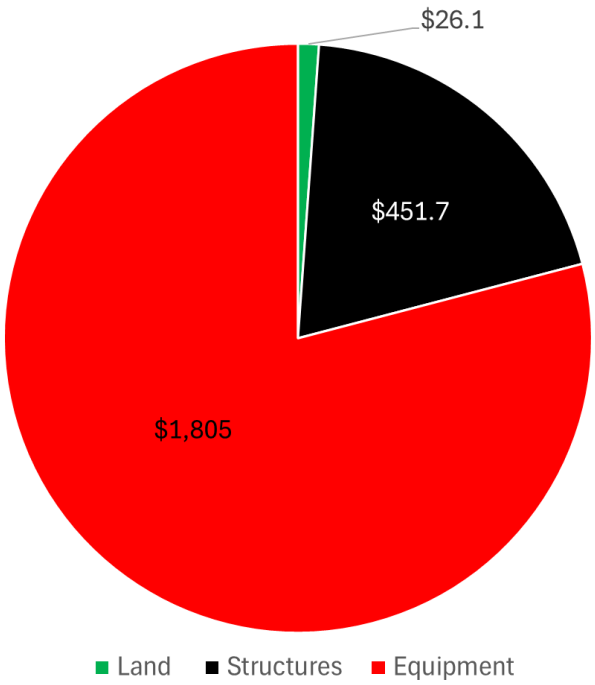
Institute researchers were asked to examine the extent to which additional local property tax from data centers is being abated through local tax incentives. In other words, does forgone sales tax revenue at the state level to attract data centers to Georgia benefit local governments through the generation of additional property tax, or do the local governments simply abate it away in their competition to attract the data centers to their particular jurisdiction?

Reliable data on local abatements can be rather difficult to obtain and even more difficult to analyze due to the wide variation in types of abatement agreements. Institute researchers were able to obtain data on four large data center projects across the metro Atlanta area. Together, these projects account for nine individual data center buildings totaling $6.5 billion in investment.

In order to avoid publication of individual project level data, and to minimize any bias that might arise from the inclusion of individual abatement agreements that might be considered outliers, researchers sought to combine these individual results into a single "representative" data center for presentation purposes.

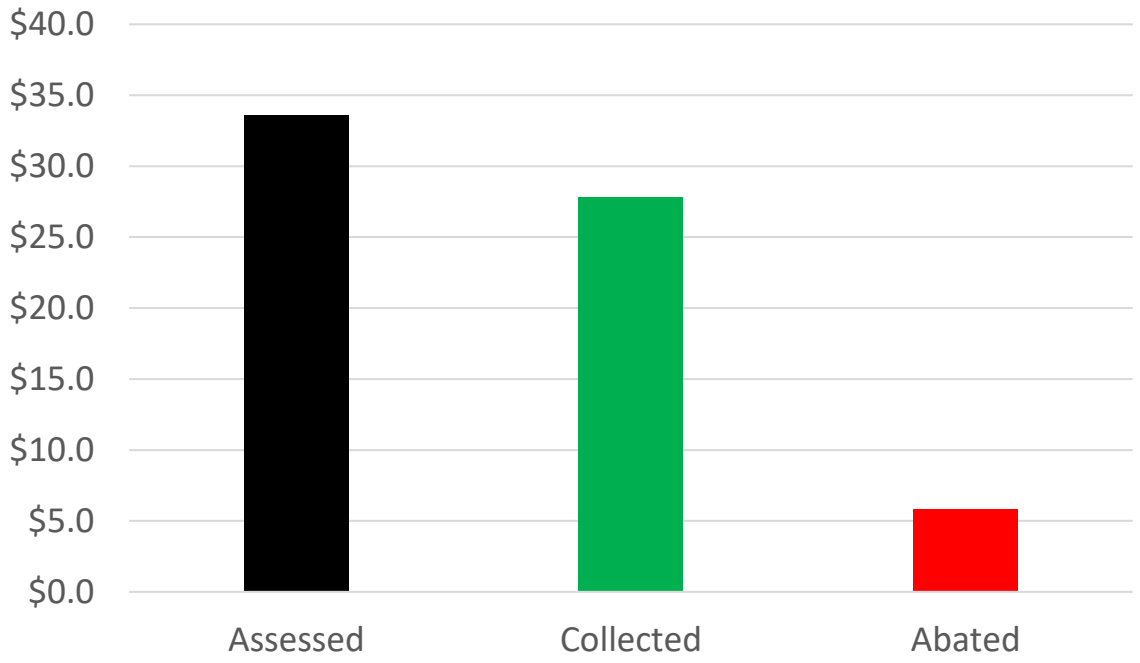
A "representative" data center complex receiving local tax abatements in the metro Atlanta area consists of three individual buildings situated on a single plot of land. Each of the three is valued at about $150.6 million for a total of $451.7 million. Servers and other electrical equipment in the buildings are valued at about $601.8 million per building for a total of $1.81 billion. Land values are about $26.1 million per data center complex. This places a total fair market value of $2.28 billion on a typical or "representative" data center complex. (Figure 5.)

Figure 5. Value of a Representative Data Center's Components for Tax Purposes (Millions)



The average combined local mil rate for a data center in the sample was 3.68%. Property tax calculated at 40% of fair market value means that the "representative" data center would owe $33.6 million in local property taxes in a given year. The average annual property tax abatement for the sample of data centers was 17.3% of calculated property tax at the prevailing mil rate. This means that the local jurisdiction is collecting $27.8 million in property tax after accounting for the abatement. (Figure 6)

Figure 6. Property Tax Assessed, Collected, and Abated for a Representative Data Center (Millions)



What cannot be known based on available data is how effective the abatement of property tax was in attracting the "representative" data center to that particular location, since available data is insufficient to estimate a county level "but for" percentage for a given location.

Other taxes such as sales tax on electricity, franchise fees, permitting fees, and so forth also accrue to local governments from data centers, although the complexity of calculating these amounts is beyond the scope of this analysis considering the complexity and diverse nature of individual local agreements.

Literature Cited

Bruns, Adam. 2014, December. Power priorities. *Site Selection Magazine.* Retrieved from www.siteselection.com/theEnergyReport/2014/dec/data-centers.cfm

Buss, Terry F. 2001. The effect of state tax incentives on economic growth and firm location decisions: An overview of the literature. *Economic Development Quarterly* 15(1): 90–105. Georgia General Assembly. 2021. Amended FY2021 Appropriations Bill. HB80, 155th General Assembly, 2nd Sess. Adopted 15 February 2021. https://opb.georgia.gov/document/document/afy-2021-hb-80-passed/download

Econsult Solutions, Inc. (2019). *The economic and revenue impact of data centers in Pennsylvania*. Econsult Solutions, Inc.

Georgia State University Fiscal Research Center. 2022. Fiscal Note for House Bill 1291 (LC 43 2426S.

IMPLAN® model, 2015–2022 Data, using inputs provided by the user and IMPLAN Group LLC, IMPLAN System (data and software). www.IMPLAN.com

Mangum Economics. 2016. *The Economic and Fiscal Contribution that Data Centers Make to Virginia*. Report prepared for North Virginia Technology Council. Glen Allen, VA: Mangum Economics.

Mangum Economics. 2018. *The Economic and Fiscal Contribution* that *Data Centers Make to Virginia*. Report prepared for North Virginia Technology Council. Glen Allen, VA: Mangum Economics.

Mangum Economics. 2021. *The Impacts of Data Centers on the Georgia Economy.* Report prepared for Data Center Coalition, Georgia Chamber of Commerce, Metro Atlanta Chamber of Commerce, and Technology Association of Georgia. Glen Allen, VA: Mangum Economics.

Mangum Economics. 2022. *The Impact of Data Centers on the State and Local Economies of Virginia.* Report prepared for North Virginia Technology Council. Glen Allen, VA: Mangum Economics.

Miller, Rich. 2008, January 18. The economics of data center staffing [Weblog post]. *Data Center Knowledge.* Retrieved from www.datacenterknowledge.com/archives/2008/01/18/the-economics-of-data-center-staffing

Ohio Chamber of Commerce Research Foundation. (2024). *The economic impact of data centers in Ohio*. Ohio Chamber of Commerce Research Foundation.

Peters, Alan and Peter Fisher. 2004. The failures of economic development incentives. *Journal of the American Planning Association* 70: 27–37.

PFM Group Consulting. 2019. *State of Oklahoma Incentive Evaluation Commission: Computer Services, Data Processing and Research and Development Tax Exemption Evaluation*. Oklahoma City: State of Oklahoma Incentive Evaluation Commission.

Tarczynska, Kasia. 2016. *Money Lost to the Cloud: How Data Centers Benefit from State and Local Government Subsidies*. Washington: Good Jobs First.

US Bureau of Labor Statistics. 2020 annual data. "Quarterly census of employment and wages" [last modified December 6, 2022]. Accessed from www. bls.gov/cew

US Census Bureau. 2021. "Georgia: 2020 census" [last modified August 25, 2021]. Accessed from www.census.gov

US Energy Information Administration. 2022. "Table 5.6.A. Average price of electricity to ultimate customers by end-use sector, by state (cents per kilowatt hour)." Retrieved from www.eia.gov/electricity/ monthly/epm_table_grapher.cfm?t=epmt_5_6_a

Virginia Joint Legislative Audit and Review Commission (JLARC). 2019. Data center and manufacturing incentives. *Economic Development Incentives Evaluation Series*. Richmond, VA: JLARC.

Virginia Joint Legislative Audit and Review Commission (JLARC). 2022. *Examining the impacts of Virginia's data center industry and site location criteria.* Richmond, VA: JLARC.

Von Seggern, Catherine, Tim Stasiw, Tara Byron, and Gopika Parikh. 2014, July. "Data centers: A perspective on site selection, incentives and outsourcing." *Site Selection Magazine.*

West, Bob. 2020, March 11. What are the top data center markets in the world? Data center real estate. *DataCenters.com.*