

HB 5305: *Attracting Hyperscale Data Centers to Benefit Michigan*

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The Goal: Attract a large-scale, enterprise data center to Michigan

example: Facebook's new data center in New Albany, Ohio



About 1 million SF

\$ 750 million cost over 2-year construction period

\$ 244 million in local construction spend

1,200 construction workers earned \$ 78 million in wages

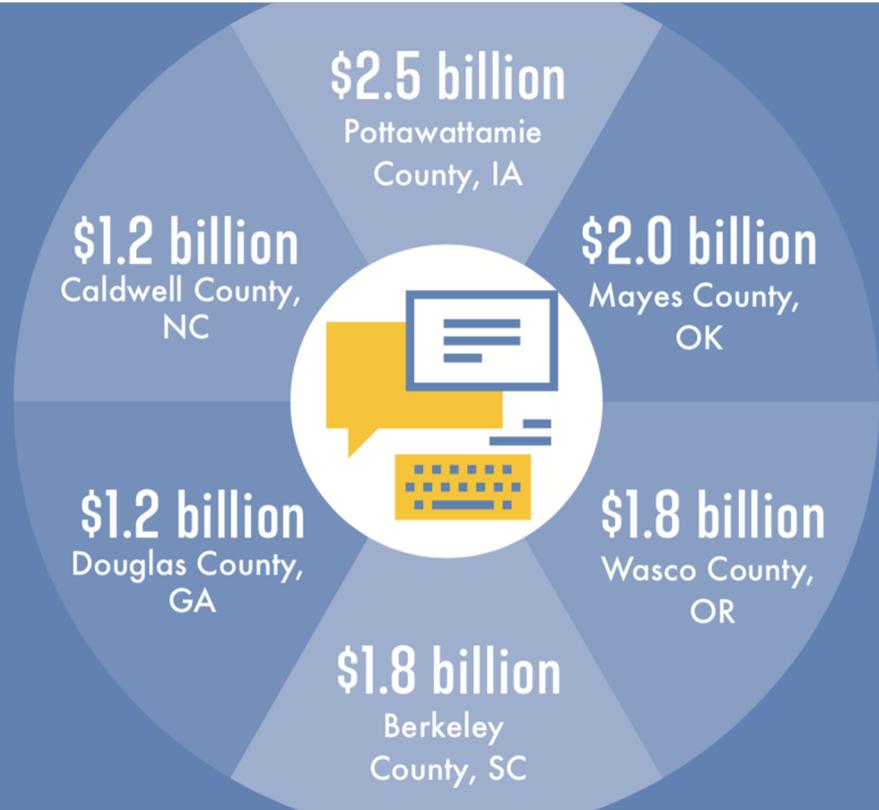
Across the street, Google is planning a \$ 600 million, 275,000 SF data center on 440 acres.

Actual experience for Six Google Data Centers

Google has invested

\$10.5 billion

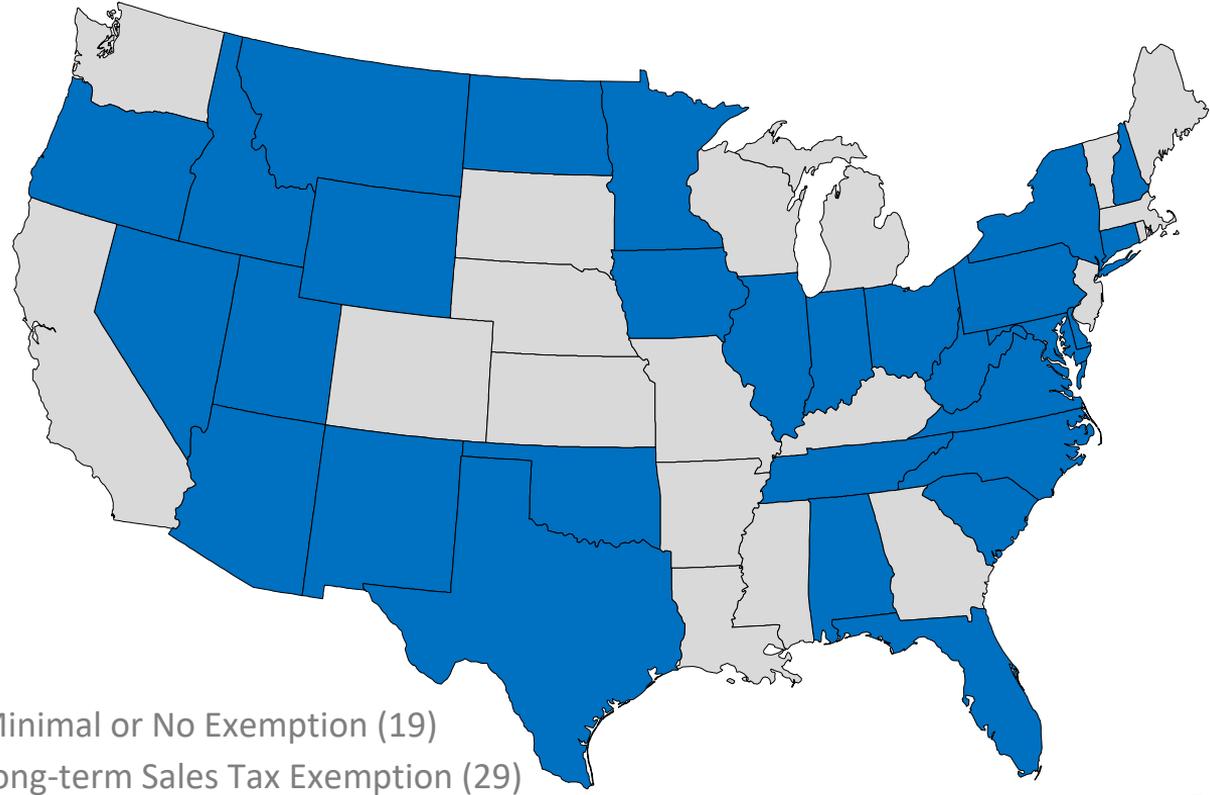
equipping data centers to deliver its state-of-the-art search engine, cloud computing, and Web-based services...



The Challenge: To attract a **billion-dollar data center**, Michigan needs a **targeted sales tax exemption**

No hyperscale data centers have located in Michigan.

Michigan's current sales tax exemption only applies to co-location data centers.



The Response: Enact a sales tax exemption targeted to *incremental*, large-scale data center investments, using *incremental* analysis:



90 percent of data center investment by companies receiving the tax exemption would not have occurred in Virginia without the incentive.

Over ten years, 75% of the sales tax exemption was recovered by the state.



Mangum’s 2020 Study: “the ‘cost’ of the State data center incentive is **only 10 percent of the amount of State sales tax revenue exempted.**”

POTENTIAL IMPACT OF HYPERSCALE DATA CENTER DEVELOPMENT IN MICHIGAN

PREPARED FOR NETCHOICE



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The Economic Impact in Kalamazoo County, Michigan

Kalamazoo County in Western Michigan is part of the Kalamazoo-Battle Creek-Portage, Michigan Combined Statistical Area. The operational workforce, connectivity, accessibility, and power in the county would be sufficient to support the operation of a hyperscale data center. Construction of a hyperscale data center as well as its ongoing operation would potentially create a direct impact of approximately:

- 1,200 total construction jobs over the two-year construction period,
- 100 full-time new operational jobs,
- \$136.3 million in associated pay and benefits for construction workers,
- \$15 million in associated pay and benefits annually for operating employees,
- \$341 million in economic output in the Kalamazoo County economy over the two-year construction period, and
- \$100 million in economic output annually in the Kalamazoo County economy once operations begin.

After accounting for all of the additional effects that the project would cause as the new investment ripples through the economy of Kalamazoo County, a new hyperscale data center would have a potential total economic impact on the Kalamazoo County economy of approximately:

- 3,461 jobs supported during the two-year construction period,
- 100 data center jobs created and 337 additional jobs supported once data center operations begin,
- \$320.4 million over the two-year construction period in total pay and benefits,
- \$34.1 million in annual pay and benefits once operations begin,
- \$562.9 million during the construction period in total economic output, and
- \$189 million annually once operations begin.

Data Centers bring Incremental Economic Benefits

Incremental economic benefits of data centers	Here	Not here
Income & spending by construction workers & contractors	+	0
Income & spending by data center employees	+	0
Revenue for local suppliers, contractors, lodging, and restaurants	+	0
High-tech training and experience for workforce	+	0
Make the state more attractive for tech business and education	+	0
Diversify local economies	+	0

Data Centers bring Incremental Tax Benefits

Incremental tax revenue from data centers	Here	Not here
Income taxes paid by employees and contractors	+	0
Corporate income taxes from data center operators & contractors	+	0
Gross Receipts taxes on electricity & telecommunications	+	0
Sales taxes on electricity	+	0
Sales taxes on non-exempt equipment and supplies	+	0
Lodging taxes for visits by contractors and workers	+	0
Local real estate & personal property taxes	+	0
Education Property Tax & Personal Property Tax	+	0

Data Centers may locate **Here**, or **Not here**

*at least 17 other states offer the sales tax exemption for server equipment, and if Idaho does not offer an equivalent exemption, **these businesses will very likely locate in states other than Idaho that do provide the exemption.***

*Accordingly, there is no loss of tax revenue from businesses that would not locate in Idaho without the exemption, and **there is likely an increase in revenue from taxes related to the growth these businesses would promote.***

Fiscal Note for HB 279, Idaho Legislative Services