

Fiscal Estimate Narratives

WEDC 5/6/2025

LRB Number	25-2730/1	Introduction Number	AB-0228	Estimate Type	Original
Description tax incremental financing districts containing qualified data centers					

Assumptions Used in Arriving at Fiscal Estimate

AB-0228 would allow data centers certified by WEDC for the Sales and Use Tax Exemption also to be exempt from the state's 12 percent cap on tax incremental districts (TIDs). If enacted, this proposal would enable cities and villages hosting certified data centers to establish TIDs for those facilities without counting them against the state's 12 percent cap on the total equalized value of taxable property.

Currently, cities or villages cannot establish TIDs beyond the 12 percent threshold. This proposal would create an exemption for certified data centers from this rule, effectively allowing these facilities to benefit from property tax incentives outside the existing state limit of 12 percent of the total equalized value of taxable property in a city or village.

The proposal does not change the criteria or administration for certifying data centers under the Data Center Sales and Use Tax Exemption. Therefore, any potential administrative costs to WEDC are estimated to be minimal and absorbable within existing resources.

The primary cost of the proposal would fall upon cities and villages that elect to establish TIDs for certified data centers, in the form of redistributed property tax revenue to finance private data center development, and not towards public services. Since data centers are quite capital intensive (in the range of hundreds of millions to billions of dollars) the scale of redistributed property tax revenue for communities could be significant.

Additionally, data centers are resource-intensive and often require upgrades to local water and electricity infrastructure in the long term outside the boundaries and scope of a TID. These costs may disproportionately impact local taxpayers through higher property taxes or utility rates, since the revenue from datacenter development has been redistributed back into the data center.

Overall, the proposal would allow certified data centers to combine multiple tax incentives: Sales and Use Tax Exemptions with local property tax redistribution via TIDs. In 2024 alone, the Data Center Sales and Use Tax Exemption itself accounted for nearly \$70 million in certified exemptions. The proposal would allow expanded public financial involvement in such projects by permitting an added local tax incentive layer.

Long-Range Fiscal Implications