



SHANNON ZIMMERMAN

STATE REPRESENTATIVE • 30th ASSEMBLY DISTRICT

Assembly Bill 302 Assembly Committee on Ways and Means June 8, 2023

Thank you Chairman Macco and committee members for hearing testimony on Assembly Bill 302 today. This legislation provides a sales and use tax exemption for large scale data centers that locate in Wisconsin. The exemption would apply to equipment and software necessary to run a data center, but would not apply to construction materials. Currently, there are no applicable data centers operating in the state.

As we move ever more into a world driven by technology, these facilities will be necessary to provide the storage and processing power required to service societal demands. Construction of these facilities require hundreds if not thousands of tradespeople. Once complete, they rely on a highly skilled and high paid workforce.

Development of additional data centers in one location often occurs as well as accompanying ancillary development. Economic analysis has shown that a project of this scale in the Milwaukee region is estimated to produce roughly 100 ongoing direct jobs and 300 total jobs supporting by the operation. These are the types of high skilled family supporting jobs that we all want located in our state.

Beyond the nuts and bolts of the policy and projects to follow, I have a personally affinity for the industry as I've been a tech entrepreneur for nearly the last 30 years. Putting Wisconsin up for consideration when the site selectors are reviewing potential locations would be a step in the right direction.

Testimony that follows mine today will likely delve deeper into the economic benefits that flow from these projects and what makes a site appealing to investors. They will also likely speak to what passing this policy in Wisconsin would mean for their review of potential sites.

Thank you for your time and attention to this proposal and I am happy to take any questions.



Romaine Robert Quinn

STATE SENATOR • 25TH SENATE DISTRICT

From: Senator Romaine Robert Quinn
To: Assembly Committee on Ways and Means
Re: Testimony on Assembly Bill 302
Relating to: a sales and use tax exemption for data center equipment or software
Date: June 8, 2023

Thank you Chairman Macco and committee members for receiving my testimony today. Ever since my first discussions with Representative Zimmerman about this idea I have been excited about this great opportunity. Wisconsin is currently one of a minority of states that does not offer a sales and use tax exemption to encourage data center development. Most of our immediate neighbors and nearly every state in the upper Midwest can compete for these large investments because of their tax structure. We cannot.

The construction of a data center is a massive project. These campuses are high-tech and support a skilled workforce to build and to maintain them. This brings good, long-standing careers with high pay and increased demand for the STEM education that underlies much of the work. Many of these companies have a demonstrated track record of investing in workforce development. They have also set ambitious sustainable energy goals and have often supported renewable energy projects on the same grid as the data center.

Similar to a manufacturing operation (which already receives a tax exemption for business equipment), the cost of required equipment such as servers, power systems, and cooling systems is cost prohibitive for almost all businesses to locate here without a sales tax exemption. Iowa, for example, made a change similar to what our bill will do and has since received \$4.2 billion in data center investment in just four years and are anticipating another \$4.3 billion through already-announced upcoming projects.

The State of Virginia's Joint Legislative Audit and Review Commission published an analysis of their state's data center incentive in June of 2019. They determined that the centers generated \$4.7 million more in state tax revenue than the amount that was exempted, to the tune of \$1.09 for every potential dollar not collected. This analysis was limited only to state tax revenue, but it can be assumed that local governments also received financial benefits by having that policy in place.

Economic analysis done in Wisconsin shows similar promise if we were to enact this sales and use tax exemption. A single hyperscale data center could support jobs and economic activity not only during its construction but also during its operation. However, none of this will happen until Wisconsin passes this law to become competitive in this market. Your hearing today is a critical step; the next will be a vote by this committee in favor of our bill.

Thank you again for your efforts today and I would be happy to follow up with anyone who might have questions.



Date: June 8, 2023

To: Chairman Macco and Members of the Assembly Committee on Ways and Means

From: Jenny Kuderer-Radcliffe – Economic Development Manager, Dairyland Power Cooperative

RE: Support of Assembly Bill 302 – Sales and Use Tax Exemption for Data Center Equipment or Software

Good afternoon, Chairman Macco and Members of the Assembly Committee on Ways and Means. Thank you for holding a hearing today on AB 302, relating to the Sales and Use Tax Exemption for Data Center Equipment or Software. I am Jenny Kuderer-Radcliffe, Economic Development Manager for Dairyland Power Cooperative, and a member of the Wisconsin Economic Development Association Board of Directors. I am here to testify in support of AB 302.

Dairyland Power is a generation and transmission electric utility, owned by 24-member distribution cooperatives, including 18 cooperatives spanning the length of western Wisconsin and serving some of the most rural areas of our state. As Dairyland and our member cooperatives partner with our communities on business attraction, as well as business retention and expansion, it is critical that we have the right tools in our economic development toolbox to compete with neighboring states and nationally for projects that advance our economies, both urban and rural.

AB 302 will provide critical tax incentives, allowing us to compete for high-value economic development projects that will bring significant investment, tax base, and high-quality jobs to our communities. Dairyland also serves member cooperatives in Minnesota, Illinois, and Iowa which all offer data center incentives. Aligning with these states is particularly important in our border communities where labor sheds and commuting patterns know no geographic boundaries.

As the digital economy continues to grow exponentially, so too will the need for data centers, and Wisconsin is well-positioned to compete for these projects. Not only do our business-friendly communities embrace new industry, but we also enjoy attractive labor rates, possess an abundance of affordable land, and have a temperate climate that is conducive to energy and cooling cost savings. Wisconsin also offers a tremendous quality of life, which gives us a competitive advantage in attracting and retaining high-tech talent to our state, as would the existence of a vibrant data center market. The tax incentives provided by AB 302 are the last piece of the puzzle that could make Wisconsin an ideal location for hyperscale data centers.

A Touchstone Energy® Cooperative 

3200 East Ave. S. • PO Box 817 • La Crosse, WI 54602-0817 • 608-788-4000 • 608-787-1420 fax • www.dairylandpower.com

Dairyland Power Cooperative is an equal opportunity provider and employer.

We also applaud the tiered definition of “qualified data center” which will encourage investments in rural Wisconsin. Rural Wisconsin is well-positioned to host data center projects and to reap the economic and community development benefits of such projects.

As an electric utility, Dairyland Power is making significant investments in our renewable energy portfolio and is exploring new generation technologies, not only to serve current electricity demand levels but also to support the economy well into the future. We are committed to being strong economic development partners to advance Wisconsin’s driver industries like manufacturing and tourism and to propel emerging industries such as the electric vehicle market and data centers forward here in Wisconsin.

On behalf of the Wisconsin Economic Development Association, Dairyland Power Cooperative and our statewide association, the Wisconsin Electric Cooperative Association, and as a long-time economic developer in our great state, I strongly encourage your support of AB 302.

Thank you.

NetChoice

DATA CENTERS IN WISCONSIN FACTS & FIGURES

Strong wages for DATA CENTER JOBS

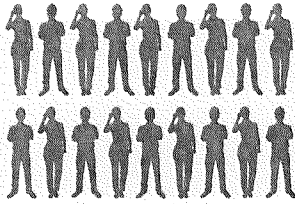


32% FASTER

Growth in Wisconsin data center wages compared to average private sector pay

2X HIGHER

Wisconsin data center wages compared to the average across all industries



construction jobs created to build new data center

100

**\$88.5
MILLION**

in pay and benefits for construction employees

\$ 22 MILLION

IN PAY AND BENEFITS FOR EMPLOYEES

300 JOBS

POST-CONSTRUCTION PHASE

Data centers also share the pool for high-tech labor with industries like architecture, engineering, computer system design, research & development, and technical consulting.

A vibrant data center market helps to attract talent that supports all of these vital industries.

SOURCE: THE IMPACT OF DATA CENTERS ON THE WISCONSIN ECONOMY

NetChoice.org/WisconsinDataCenters



Steve DelBianco
President & CEO, NetChoice
Washington, DC 20005

NetChoice

Defending Free Speech and Free Enterprise Online

Wisconsin AB 302 - a sales and use tax exemption for data center equipment or software

Supporting Testimony

June 8, 2023

Representative John Macco, Chair
Committee on Ways and Means
Wisconsin State Assembly

Chairman Macco and members of the committee:

NetChoice¹ is a trade association of America's leading online businesses. We engage in tech policy issues in the states, in Washington, and in international internet governance organizations.

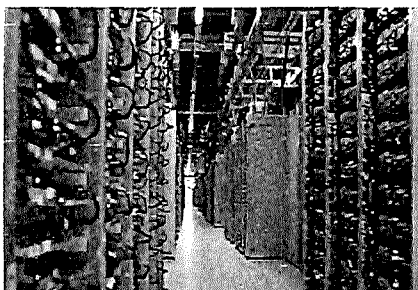
I am joined by the Hon. Barbara Comstock, who served in the Virginia General Assembly and led legislation to update the tax code for data centers. A bipartisan, commonwealth-wide coalition, and the leadership of the Northern Virginia Technology Council, resulted in near unanimous passage.

Comstock's original legislation and subsequent extensions gained the signatures of Republican Gov. Bob McDonnell and Democrat Gov. Terry McAuliffe. All understood that data centers were the basic infrastructure for innovation and for nurturing high-paying jobs. Virginia thereby opened the door to billions of dollars of investment in high-tech data processing and hosting centers, and Virginia remains the number one data center location—in the world.

We ask for your support of AB 302, in order to open Wisconsin for the large-scale capital investments and job creation that comes from data centers.

Data centers of NetChoice members Amazon, eBay, Apple, Expedia, Google, and Meta Platforms enable individuals and businesses to find information, create and connect, buy and sell, navigate their world, and maintain their memories in stored communications, docs, photos, and videos.

Moreover, data centers help keep us connected, while creating jobs and significant economic impacts in our communities, as explained in this [2-minute video](#):



Americans depend on the internet to be informed, stay connected, and get their work done.

Data centers also create tech jobs in the areas where they're built, from construction teams and engineers, to technicians and facility managers. These investments boost the local economy, while ensuring a better online experience for Americans everywhere.²

¹ NetChoice is a trade association of leading e-Commerce and online businesses, at www.netchoice.org. The views expressed here do not necessarily represent the views of every NetChoice member company.

² Data Center video at <https://netchoice.org/Wisconsindatacenters/>

- Meta Platforms doubling of current footprint, making its Altoona campus the company's largest
- Microsoft doubling of its current footprint with the addition of two new data center campuses

In Iowa, direct economic impact in 2021 for the construction and operation of data centers provided \$934 million in economic output, including 2,400 construction jobs, \$167 million in construction pay and benefits, 1,100 full-time operational jobs, and \$96 million in data center operations pay and benefits.

There are also notable indirect economic ripple effects, estimated in 2021 to be \$3.5 billion, including 14,400 jobs and \$970 million in pay and benefits. Plus, for each operational data center job created, an additional 9.8 jobs were supported by the data center in non-construction businesses.

It was further estimated that in 2021, indirect economic activity led to \$107 million in tax revenue collected by the state and \$113 million collected by local governments.

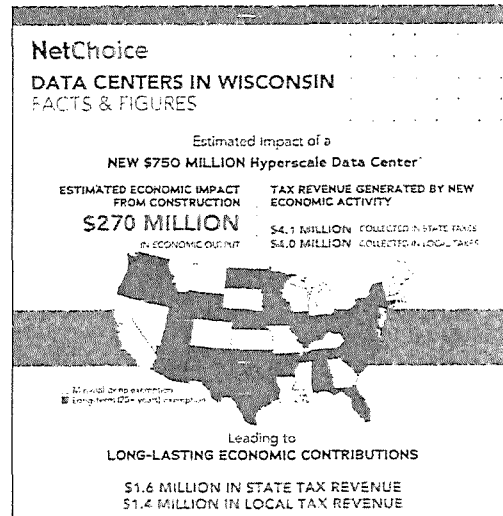
Potential Impact of Hyperscale Data Development in Wisconsin

While Wisconsin has no enterprise data centers to report on at this point, NetChoice and Alliant Energy asked Mangum Economics to estimate the economic and tax benefits *if* the state were able to attract these new investments⁴. In their Nov-2022 report, Mangum estimated:

If just one new hyperscale data center were to locate in Wisconsin, the state could see \$270 million in new economic output during construction, and \$87 million annually.

Based on studies of several states with large data center industries, Mangum explains the broader benefits, too:

Research has shown that data centers share the pool for high-tech labor with industries such as architecture, engineering, computer system design, software, telecommunications, scientific research & development, and technical consulting.⁶ The existence of a vibrant data center market helps to attract talent that supports all of these industries.



Large-scale enterprise data centers are now in several states that extended their sales tax policies on manufacturing and production equipment. Oxford Economics prepared the following infographic to summarize its study of six Google data centers in rural and suburban counties in Iowa, Oklahoma, Oregon, South Carolina, Georgia, and North Carolina.

⁴ Potential Impact of Hyperscale Data Development in Wisconsin, Nov-2022, by Mangum Economics, <https://drive.google.com/file/d/1ZL-XPVVyalcuMLnvKx4jlfpx-ckI3000/view?usp=sharing>

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

This second table lists several incremental tax revenue opportunities from data center construction and operation—even after establishing a data center exemption:

Incremental tax revenue from data centers	Here	Not here
Personal income taxes paid by employees and contractors	+	0
Corporate income taxes from data center operators & contractors	+	0
Sales taxes on non-exempt equipment and supplies	+	0
Lodging taxes for visits by contractors and workers	+	0
Sales taxes on services related to tangible personal property	+	0
Local real estate & personal property taxes	+	0

In 2019, Virginia’s Joint Legislative Audit and Review Commission (JLARC) published its audit and evaluation of Virginia’s tax incentives for data centers, using confidential tax information from data center taxpayers⁵. JLARC concluded that 90 percent of the investment in data centers eligible for the exemption would *not* have occurred in Virginia were it not for those tax exemptions. Instead, those investments would have been made in other states that give data center equipment the same tax exemptions long given on equipment used in manufacturing and agriculture.

Over a ten-year period, JLARC’s analysis showed that the commonwealth of Virginia recovered 75 cents in state tax revenue for every dollar of sales tax that was exempted for data center equipment.⁶

⁵ Joint Legislative Audit and Review Commission (JLARC), *Data Center and Manufacturing Incentives, Economic Development Incentives Evaluation Series*. 17-Jun-2019.

⁶ JLARC Evaluation, Appendix N: Results of economic and revenue impact analysis, at http://jlarc.virginia.gov/pdfs/oversight/ED_initiatives/datacenters_Appendix%20N.pdf


Data center investment catalyzes supply chain and service ecosystems, employs hundreds of construction professionals as facilities are built, and provides quality high wage jobs to support ongoing operations. Data centers also attract new growth and investment from supporting industries. Every data center comes with years of reliable support for local economies – including everything from restaurants, hotels, rental car agencies, and fiber and HVAC installers, to many other small businesses. According to a recent Mangum Economics report, one hyperscale data center in Wisconsin would provide \$240 - \$271 million in new economic output during construction and \$63-\$87 million million in continuing economic output every year thereafter².

AB 302 provides Wisconsin with the opportunity to grow its data center market and supporting ecosystems by offering a competitive sales and use tax exemption that provides long term certainty.

We encourage the Wisconsin Legislature to open the door for broad data center industry investment by approving the legislation.

Thank you in advance for your consideration.

Sincerely,



Josh Levi
President
Data Center Coalition
Josh@datacentercoalition.org

² POTENTIAL IMPACT OF HYPERSCALE DATACENTER DEVELOPMENT IN WISCONSIN,
<https://drive.google.com/file/d/1ZL-XPVVyalcuMLnvKx4jIfpx-cKI3000/view>, Mangum Economics, November 2022.



June 8, 2023

The Honorable John Macco
Chairman
Assembly Committee on Ways &
Means
Wisconsin State Capitol
2 East Main St.
Madison, Wisconsin

Re: Support for AB 302, Sales & Use Tax Exemption for Data Center Equipment or Software

Dear Chairman Macco and Members of the Ways & Means Committee,

I am writing on behalf of the [Data Center Coalition](#) (DCC), a membership association representing leading data center owners and operators to register our strong support of AB 302, legislation authored by Representative Shannon Zimmerman to encourage data center investment in Wisconsin by establishing a sales and use tax exemption on data center equipment and software.

Data centers are the backbone of the modern economy. Companies of all sizes with any digital presence need data centers, Companies of all sizes with any digital presence require data centers - from small businesses to healthcare to automobile manufacturers- and the industry is growing rapidly. Businesses are investing tens of billions of dollars in capital in new data center facilities across the country to meet unprecedented demand for digital services that are central to our lives, including telehealth, video conferencing, e- commerce, government services, and entertainment. According to a recent analysis by McKinsey & Company, data center capacity in the United States is anticipated to double by 2030¹.

Data centers involve huge financial investments in buildings and equipment, with some individual projects exceeding \$1 billion in capital investment. AB 302 recognizes the capital-intensive nature of these investments by treating data centers similar to manufacturing. Given the magnitude of initial capital investment involved and the need for data centers to replace and refresh expensive computer equipment on a regular cycle, the availability of sales and use tax exemptions on data center equipment is a critical factor for the data center industry in considering markets to locate and expand. These programs recognize the capital-intensive nature of data centers and treat their equipment with the same standard as manufacturing equipment. They allow for a cost of ownership and cost of occupancy that can be competitive with other markets.

¹ <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/investing-in-the-rising-data-center-economy>

Data center investment catalyzes supply chain and service ecosystems, employs hundreds of construction professionals as facilities are built, and provides quality high wage jobs to support ongoing operations. Data centers also attract new growth and investment from supporting industries. Every data center comes with years of reliable support for local economies – including everything from restaurants, hotels, rental car agencies, and fiber and HVAC installers, to many other small businesses. According to a recent Mangum Economics report, one hyperscale data center in Wisconsin would provide \$240 - \$271 million in new economic output during construction and \$63-\$87 million million in continuing economic output every year thereafter².

AB 302 provides Wisconsin with the opportunity to grow its data center market and supporting ecosystems by offering a competitive sales and use tax exemption that provides long term certainty.

We encourage the Wisconsin Legislature to open the door for broad data center industry investment by approving the legislation.

Thank you in advance for your consideration.

Sincerely,



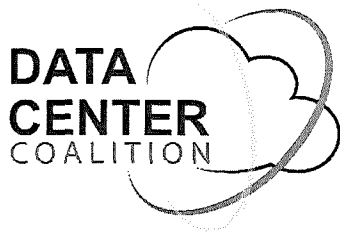
Josh Levi
President
Data Center Coalition
Josh@datacentercoalition.org

² **POTENTIAL IMPACT OF HYPERSCALE DATACENTER DEVELOPMENT IN WISCONSIN,**
<https://drive.google.com/file/d/1ZL-XPVVyalcuMLNvKx4jlfpx-cKI3000/view>, Mangum Economics, November 2022.

NetChoice

NetChoice members that own and operate hyperscale data centers have made significant investments in states with data center economic development programs – like Illinois and Iowa – that recognize data centers as low-impact enablers of the digital economy that generate billions in investment, widespread economic activity, and high-tech jobs.

State investments and local tax incentives can help position a locality to be particularly suitable for large data center development. But for lots of localities across Wisconsin to compete for these investments, the state needs to exempt data center equipment from sales tax - much like the state exempts business equipment for agriculture and manufacturing.



The Data Center Coalition (DCC) is a membership association representing 24 leading data center owners and operators. Companies of all sizes with any digital presence require data centers - from small businesses to healthcare to automobile manufacturers. As a result of this demand, the data center industry is rapidly growing. Data centers involve huge financial investments in buildings and equipment, with some individual projects exceeding \$1 billion in capital investment. Given the magnitude of initial capital investment involved and the need for data centers to replace and refresh expensive computer equipment on a regular cycle, the availability of sales and use tax exemptions on data center equipment is a critical factor for the data center industry in considering markets to locate and expand. These programs recognize the capital-intensive nature of data centers and treat their equipment with the same standard as manufacturing equipment. They allow for a cost of ownership and cost of occupancy that can be competitive with other markets. We encourage the Wisconsin Legislature to open the door for broad data center industry investment.



Many factors are considered in a decision to invest in a given jurisdiction for data center development including forecasts of customer demand, site-specific data points and business environment. Among others, total cost of ownership is an important factor. Passage of a data center incentive bill that lowered total cost of ownership would increase Wisconsin's favorability and enable it to become more competitive with other states as companies consider investing, or growing their investments in the State.



Kevin Hughes
Vice President, Policy | STACK Americas
e: khughes@stackinfra.com

STACK Infrastructure is a leading global data center development company operating in 24 markets, including Illinois and Ohio. We provide campus, build-to-suit, and colocation data center development solutions. Our class of clients include the largest internet companies in the world, insurance companies, financial institutions, and small to medium size businesses.

Data center investment in the U.S. is growing quickly and according to a recent McKinsey study, the U.S. data center market is set to double by 2030. The opportunity to capture some of that growth in Wisconsin can be significant, but without a competitive sales tax exemption it is difficult for a developer like STACK to prioritize and resource site development and marketing opportunities to prospective clients. This is because our clients place a critical emphasis on the availability of a competitive sales tax incentive as part of our project development.



TO: Chairman Macco and Members of the Assembly Ways and Means Committee
FROM: Michael Welsh, V.P. of Legislative Affairs –Wisconsin Economic Development Association
DATE: June 8, 2023
RE: Please Support Assembly Bill 302 – *Data Center Tax Incentive Bill*

On behalf of the Wisconsin Economic Development Association (WEDA), I would like to take this opportunity to request your support for Assembly Bill 302. This important economic development legislation would provide critical tax incentives to encourage hyperscale data center investment in Wisconsin.

In today's technology-driven world, large-scale data centers are critical to the nation's computing infrastructure, supporting everyday business operations across every industry, and keeping Americans connected in all facets of life. Hyperscale data centers are also local economic drivers that attract investment, create jobs, and grow tax base.

Unfortunately, Wisconsin is at a distinct disadvantage in attracting data centers to the state, as we currently do not offer tax incentives that our neighboring states in the Midwest have successfully used to realize the economic benefits of data center projects. Assembly Bill 302 would change that by creating a sales and use tax exemption for equipment or software used by eligible data centers for the processing, storage, retrieval, or communication of data. The bill would expand Wisconsin's economic development toolbox and put us into position to spur data center development.

In addition to the significant economic impact of data center development (a U.S. Chamber of Commerce report found the average data center adds \$32.5 million in economic activity each year), a strong data center market can help attract a high-tech talent pool to the Badger State that could support numerous industries. Without tax incentives, the development of large-scale data centers is unlikely to occur in Wisconsin, especially in rural parts of the state. Fortunately, AB 302 will make Wisconsin an attractive location for large data centers projects.

In closing, WEDA would again request your support AB 302. This proposal would provide the state with the ability to compete for hyperscale data center investment and help drive economic growth in rural Wisconsin and across the state.

Thank you for your consideration.

About WEDA

The Wisconsin Economic Development Association, founded in 1975, is a statewide non-profit organization dedicated to growing Wisconsin's economy. Driven by the needs of our 400-plus members, we represent the economic development interests of both the private and public sectors through advocacy, education, and leadership on statewide initiatives.