

MINUTES
JOINT MEETING
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
HOUSE REVENUE & TAXATION COMMITTEE**

DATE: Tuesday, March 26, 2019

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS PRESENT: Chairman Rice, Vice Chairman Grow, Senators Lakey, Cheatham, and Nye

Chairman Collins, Vice Chairman Stevenson, Representatives Anderst, Dayley, Chaney, Gestrin, Addis Furniss, Ricks, and Ellis

**ABSENT/
EXCUSED:** Senators Hill, Vick, Anthon, and Burgoyne

Representatives Moyle, Dixon, Giddings, Nichols, Erpelding, and Mason

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Collins** called the joint meeting of the Local Government and Taxation Committee and the House Revenue and Taxation Committee (Committees) to order at 8:31 a.m.

Chairman Collins reminded the Committee members that the joint meeting was for informational purpose only. Recently, **H 279** was introduced. The proposed legislation would provide an exemption from sales and use tax for eligible server equipment and new plant investment in data centers. **H 279** will be considered next session, but was introduced now for the purpose of discussion.

PRESENTATION: **Data Center Sales/Use Tax Exemption**, presented by Steve DelBianco, President and CEO of NetChoice, and Barbara Comstock, Former United States Representative from Virginia. **Stephen Thomas**, Partner, Hawley Troxell, introduced Mr. DelBianco and Ms. Comstock, informing the Committee they would be available for questions on completion of their presentation.

Mr. DelBianco stated NetChoice was an Association of eCommerce businesses such as AirBnB, Ebay, Etsy, Facebook, Google, Lyft, PayPal, Twitter, Yahoo, and many other leading eCommerce companies. He and Ms. Comstock live in Loudoun County in northern Virginia. Loudoun County has the number one concentration of data centers in the world, providing hundreds of millions of dollars in tax revenue and thousands of jobs across the state of Virginia. A five year study by the Virginia Technology Council found 43,000 jobs created, 3.2 billion in labor income, and 10 billion in economic output generated by data centers. Wages paid at data centers, an average of \$100,000 a year, are more than twice the statewide average of Virginia. Data center employment and wage growth is four times the average (attachment 1).

Mr. DelBianco informed them the tax environment is essential for the location of data centers. Every success story is from a state that has relief from sales tax on the hundreds of millions of dollars of equipment that is purchased, upgraded, or replaced throughout the lifecycle of each data center. A data center located in your state brings two aspects-economic benefits and tax benefits. Data centers also require zero outlay in resources. **Ms. Comstock** added that the data centers are recession proof as well. **Mr. DelBianco** also pointed out that companies locate their data centers where the best tax and business environment will be. They do not need to locate them where the users are.

Ohio's Economic Development Authority approved 40 years of sales tax exemptions for a \$750 million data center project in 2017. A \$600 million center was approved in December, with a total of \$2.5 billion in data center investments in just the last two years. Indiana had no sales tax incentives and zero data centers. Recently, the Senate in Indianapolis unanimously approved a House bill that would allow a 50 year exemption from sales tax on equipment and electricity for investments over \$750 million. **Mr. DelBianco** believes **H 279** to be better than any other state in terms of permanent sales tax relief and encouraged the Committee to support it next session.

DISCUSSION: **Chairman Rice** asked for clarification regarding the tax exempt thresholds. **Mr. DelBianco** responded that there are a variety of thresholds, but typically it is a two tiered relief system. Long term relief is most often reserved for investments of \$100 to \$250 million. Below those amounts states may have lower tiers for data centers that serve multi location facilities. As an example, **Mr. DelBianco** explained that Facebook, Google, or Amazon might build a data center, which would then be their own center. This is a potential of \$750 million to \$1 billion in investment. Another tier might be a developer building a \$100 million data center that houses multiple clients. In Indiana there has been demand for even lower thresholds, as little as \$10 million in equipment with a requirement to create 20 jobs. States are differing in approach to the tax exemption thresholds. **Mr. DelBianco** informed the Committee he would make the information available to them regarding the thresholds of 30 different states that offer them.

Senator Nye questioned how Idaho could become more competitive with data centers. **Mr. DelBianco** stated the first step was to provide sales tax relief on the equipment investments and **H 279** will do that. The commerce department must then make themselves known to the data centers. It is important that Idaho show local property tax rates, real property tax rates, workforce composition, education systems, infrastructure, etc.

Representative Ellis pointed out that Idaho currently has 6,300 unfilled STEM jobs and his concern was how we would meet the workforce training needs. **Mr. DelBianco** informed the Committee that the jobs required are not programmers. They are technicians and maintenance jobs for the facility and grounds. They bring skilled workers from other data centers to train.

Senator Lakey requested Mr. DelBianco list how many states currently have an equivalent to **H 279**, and how many others are considering something similar. **Mr. DelBianco** replied he intended to provide a table of the different thresholds that are in existing law. Depending on the different tax incentives, there are currently over 30 states that have some type of incentive.

Representative Anderst questioned what makes a physical location desirable to a data center. **Mr. DeIBianco** replied that the list was not long; basic air and vehicle transportation, an educated workforce with a business friendly environment, coupled with state tax incentives. The price of power is extremely important, and renewable power is a priority. Hydropower is a significant source of Idaho's power and this makes Idaho attractive. A data center's annual operating budget can be almost 80 percent electricity.

Representative Ricks described the growth of technology and the consolidation of companies, asking if there was much further growth potential. **Mr. DeIBianco** pointed out that everything done daily is now cloud hosted. It is cumulative; the size of video, photography, expanding cell phones are all demand driven. He reminded the Committee that data privacy laws and data transfer regulations require that the United States market is served by United States based data centers. The demand of business and consumers guarantee ongoing data center growth.

Chairman Collins thanked Mr. DeIBianco and Ms. Comstock for their time, stating it had been very informative.

ADJOURNED: There being no further business at this time, **Chairman Collins** adjourned the meeting at 10:31 a.m.

Senator Rice
Chair

Machele Hamilton
Secretary