Minnesota Template for Evaluating Tax Expenditures
4.2.12 Data Center Equipment

Name of Expenditure:	Data Center Equipment Exemption
Estimate of Annual Revenue Lost:	$95,000,000*
Year of Adoption:	2011
Sunset Date:	None

Tax Type:

- ☐ Individual Income Tax
- ☐ Corporate Franchise Tax
- ☐ Estate Tax
- ■ General Sales and Use Tax
- ☐ Motor Vehicle Sales Tax
- ☐ Highway Fuels Excise Tax
- ☐ Alcoholic Beverage Tax
- ☐ Cigarette and Tobacco Tax
- ☐ Mortgage Registry Tax
- ☐ Deed Transfer Tax
- ☐ Lawful Gambling Tax
- ☐ Insurance Premiums Tax
- ☐ Property Tax
- ☐ Motor Vehicle Registration Tax
- ☐ Aircraft Registry Tax
- ☐ Cannabis Gross Receipts Tax

This expenditure is the result of state conformity to the Federal Code:

- ☐ Yes
- ■ No

Commission Approved Objective:

The objective of qualified Data Center Equipment sales and use tax exemptions is to create jobs in the construction and data center industries.

Business (check all that apply):

- ☒ Job Creation & Maintenance
- ☒ Investment
- ☒ Competitiveness/Strategic
- ☐ Health/Environmental/Social Justice
- ☐ Other

Individual (check all that apply):

- ☐ Relief of Poverty
- ☐ Progressivity/Assistance to Low Earners
- ☐ Access to Opportunity
- ☐ Health/Environment/Social Justice
- ☐ Other

*The estimate of Annual Revenue Lost reflects the November 2025 Forecast, as provided by the Minnesota Department of Revenue. The exemption from sales and use tax for electricity used in the operation of a qualified data center was repealed under Laws of Minnesota 2025 chapter 13, article 3, section 4. The estimate of annual revenue loss is reduced from estimates in the 2024 Tax Expenditure Budget, likely as result of the law change.

Measurement and Effectiveness Ratings Summary:

Statement	Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree	Total
We can measure the overall benefit towards achieving the objective(s).	0	1	2	2	5
The expenditure's benefit justifies its fiscal cost.	2	0	1	1	4
The expenditure is claimed by its intended beneficiaries.	0	1	0	4	5
The expenditure is claimed by a broad group of taxpayers.	4	1	0	0	5
The expenditure amount claimed per taxpayer is meaningful as an incentive/benefit.	0	1	4	0	5
The expenditure is relevant today.	2	0	2	1	5
Business Only: The expenditure is primarily beneficial to smaller businesses.	2	3	0	0	5
Individuals Only: The expenditure is primarily beneficial to lower income taxpayers.	0	0	0	0	0

This tax expenditure is flagged for legislative review:

Continue	Repeal	Modify	Total
3	2	0	5

Comments:

“Based on the report, the expenditure did very well when it was first implemented. The expenditure focused on building materials and purchases made directly by the businesses that set up data centers in Minnesota. Once that boom plateaued, the incentive did not bring more data centers into the state. The UGA did provide a follow up report that a few more businesses plan to build data centers in Minnesota, but that number also drops after an initial interest. The report could not specify what if any changes should be made to our current tax incentive to build data centers.

As this incentive appears to follow a boom/bust pattern and has not made Minnesota especially competitive in this sector, I would advocate for a repeal to take time to better understand what could provide a better incentive if we do want to build data centers in Minnesota.”

“As we learned from the Georgia study, only 25% of data centers are built because ("but for") of this type of tax. Additionally, with the widespread proliferation of data centers and need for data center ownership to have them in diversified locations across the United States, companies may already have the incentive to place data centers in diverse locations without regard to the local taxing regime.

I seek the following information to help analyze this tax:
1) Regional tax treatment of data centers (how does Minnesota compare to Iowa, Wisconsin, the Dakotas)”