



Testimony to Senate Finance Committee on Fiscal Effects of Data Centers

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For more than 40 years, Every Texan has advocated for public policy to expand equity and opportunity for all Texans. We offer trusted research and data-driven policy solutions to ensure every Texan across the state can thrive. Tax policy – including tax incentives and exemption – is one of our core areas of focus.

Texans are rightfully worried about the impacts of data centers in their communities, and we thank Gov. Abbott and the Legislature for considering policy responses to Texans' concerns. In a June 10 letterⁱ to the heads of ERCOT and the Public Utility Commission, Gov. Abbott called for greater oversight and tighter regulations on data centers, offering several common-sense ideas to protect ratepayers, communities, our power grid, and taxpayer dollars. **We support the governor's proposals to eliminate the sales and use tax exemption for qualifying data centers and to consider further actions to protect ratepayers and the power grid.**

Background

As the worldwide data center boom continues, Texas has the second highest number of data centers in the country, with over 330 currently operating and almost 250 more under development.ⁱⁱ Our state is a prime location for data center growth for several reasons: cheap and plentiful land and power, fast electricity interconnection, high-speed data lines, sparse regulations, and generous tax incentives.

Data centers can increase the tax base of a community, create construction jobs, and expand economic activity. They also bring a host of concerns: power demand and impact on electricity prices, high amounts of water use, pollution, few permanent jobs, and loss of state and local government revenue to a variety of outdated tax breaks.

The speed of the data center buildouts and lack of community input have led to numerous concerns and a significant backlash across the country and in our state. A Texas Politics Project poll revealed that 56% of Texans – 62% from rural areas – oppose data centers in their communities.ⁱⁱⁱ

Elected officials are responding. In the first six weeks of 2026 alone, 300 bills were introduced in state legislatures to modify data center policies.^{iv} So far this year, bills have been introduced in 25 states to end or limit data center sales and use tax exemptions. Other bills would seek to improve power grid stability, reduce electricity costs, require more transparency on development deals, and reduce the environmental and public health impacts of pollution and water usage and contamination.



Every Texan's Perspective

Quality of life for Texans is as important as the state's GDP. Our communities make possible the Texas Miracle as much as businesses do. When corporations threaten our people and way of life, our elected officials have a responsibility to respond. For now, we are cautiously optimistic that lawmakers will respond to their constituents during the 90th Session and we will see substantial policy change around data centers. This is the way our democratic process is supposed to work. We share communities' deep concerns about the impacts of data centers, though our primary case for stronger policies focuses on tax and budget impact and local control.

First, state tax dollars should not be spent to incentivize data center construction in Texas. Since 2014, data centers have been eligible for a sales and use tax exemption that now costs the state over \$1B a year in lost revenue. In addition to the state sales tax exemption, many data center projects have taken advantage of local economic development incentives offered under several provisions in the state tax code, such as chapters 380 and 381.

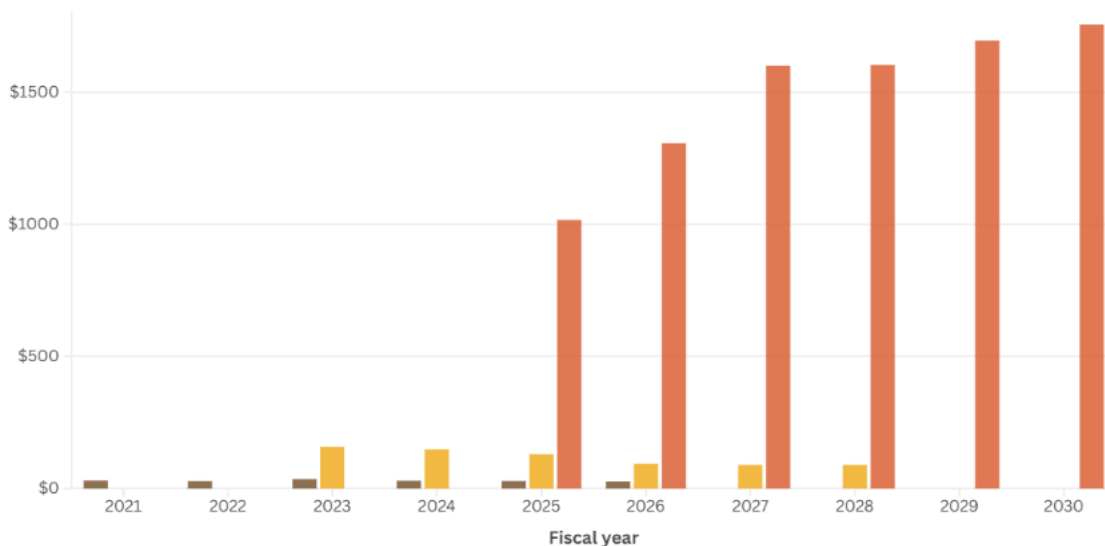
Second, all communities should have more information and tools to be able to decide for themselves whether to allow a data center in their city or county, and they should be permitted a greater say in determining the standards data center developers must follow.

Cost of Texas's Data Center Sales Tax Exemption

As more data centers have come to Texas, projected costs have risen dramatically since 2020.

■ Projected cost as of 2020 ■ Projected cost as of 2023 ■ Projected cost as of 2025

Cost (millions)



Source: Every Texan analysis of [Comptroller of Public Accounts, Tax Exemption and Tax Incidence reports](#)

Policy Recommendations

1. **The Legislature should eliminate the state sales and use tax exemption for data centers.**
 - **This is developing into a consensus position.** Given the controversy around data centers, eliminating the sales tax exemption would be an easy win for policymakers.
 - **The state cannot afford the exemption.** Our state needs funding for schools, health care, and infrastructure. We cannot afford to give away over \$1B a year (and rising) to data center projects. In 2025, the Comptroller's office projected the cost of the exemption would rise to \$3.3B over the 2028-29 biennium. That estimate, which may already be out-of-date, represents a staggering increase over the Comptroller's 2020 and 2023 projections of the exemption's cost. Further, state leadership's 2028-29 budget instructions to state agencies require 3% cuts to agency budgets and imply a much tighter revenue picture next session than the Legislature has faced since 2023.
 - **Data centers don't need handouts from taxpayers.** Often, tax breaks are useful to get a nascent industry off the ground. Data centers are clearly a booming, viable industry in Texas and no longer deserve special tax treatment.
 - **Research suggests that incentives and exemptions are often unnecessary.** A 2025 study in Georgia found that 70% of data center projects didn't need subsidies to locate in the state.^v As we pointed out above, Texas offers several advantages to developers, making the exemption fairly unimportant to the site selection process.
 - **The debate is reminiscent of that over the Chapter 313 program**, which the Legislature allowed to expire because it:
 - Became more controversial when the price tag reached \$1B a year.
 - Incentivized growth in certain industries early but outlived its usefulness.
 - Included no limits on the cost of the program to the state.
 - **Other states are also reconsidering the sales tax exemption.** As data center policies begin to change in other states as well, Texas no longer needs to offer an exemption to compete with them. So far this year, bills have been introduced in 25 states to end or limit data center sales and use tax exemptions specifically. Six of those have passed. So far, Maine is the first and only state to repeal all tax breaks for data centers, while governors in Illinois, Massachusetts, and Ohio have enacted moratoria on the sales tax exemption.
2. **Elected officials should look more closely at the costs of other local tax breaks that data center projects receive.**

While data centers can raise property values and bring in more tax revenue, the exemptions and incentives provided may outweigh the benefits. Those corporate giveaways are largely undermining one of the biggest supposed benefits of data centers: higher property tax revenue. City or county officials often approve Chapter 380 or 381 agreements because, while costly, they offer a way to regulate data centers. Every Texan

will continue to research the costs of local incentive agreements, but the decision of whether to offer those incentives or not must lie with local communities themselves.

3. Local communities must have more control, clarity, and transparency.

Community members and elected leaders must be equipped with better information about what the likely impacts of a data center project will be, what their local governments' authority is, and how they can ensure data centers are good neighbors.

- **The Legislature must clarify, and possibly expand, local officials' authority over data center projects.** Currently, cities have more policy options than county governments do. More tools and greater authority for local governments in general could shift the balance of power back to communities.
- **The Legislature must require more transparency.** Communities need to know what data centers cost – in tax breaks, water usage, power usage, and more. Everyday Texans and policymakers need to know who benefits from data centers and how much.

4. Let communities slow development until costs and impacts are better understood.

Many are calling for moratoria on data center construction, and New York's governor just enacted one. We are skeptical, however, of Gov. Abbott's call for a ban on data centers in "rural Texas neighborhoods."^{vi} We are concerned that such a ban would simply encourage more data center development in low-income urban areas, which are already distressed economically and environmentally.

As a policy research organization, we believe that policymakers and Texans should have the information to make informed decisions – whatever the issue. The Legislature or Comptroller's office could direct or conduct a study of data center impacts on communities, as more transparency and data would help agencies weigh the costs versus the benefits.

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https://gov.texas.gov/uploads/files/press/Thomas_Gleeson_Pablo_Vegas_Data_Centers_Directive_Letter_to_PUC_ERCOT_FINAL.pdf

ⁱⁱ <https://www.texastribune.org/2026/06/08/texas-regulation-data-centers-electricity-power-water/>

ⁱⁱⁱ <https://texaspolitics.utexas.edu/set/in-general-do-you-support-or-oppose-the-construction-of-a-data-center-in-your-community-june-2026>

^{iv} <https://www.multistate.us/insider/2026/2/20/state-data-center-legislation-in-2026-tackles-energy-and-tax-issues>

^v <https://www.audits2.ga.gov/reports/summaries/georgia-data-center-sales-use-tax-exemption/>

^{vi} <https://www.texastribune.org/2026/06/30/texas-abbott-data-center-development-ban-rural-communities/>