



Senate Bill 397

Sales and Use Tax and Personal Property Tax - Exemptions - Data Centers

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: February 12, 2020

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 397. This bill enables tax incentives to increase Maryland's competitiveness as a host of data centers. It authorizes local governments to reduce or eliminate assessments for their personal property, and provides a sales and use tax exemption for the sale of specified equipment for use at these facilities.

MACo generally supports legislation that provides local authority to enact tax incentives for economic development and tax relief purposes, and welcomes the opportunity to work with state policymakers to develop flexible and optional tools to create broad or targeted tax incentives. Counties prefer the approach offered by SB 397 as it provides local autonomy to determine the best way to provide these incentives, rather than those mandating reductions in local revenue sources.

The technology sector is driving tremendous demands for more computing and storage capacity. Data centers – the facilities that house the computers and equipment that power the information needs of the modern economy – are in high demand. Local governments, just as the State, have a vested interest in economic development. Local economic growth creates jobs and increases salaries, expanding the tax base both locally and statewide.

Furthermore, the clustering of data centers, related businesses, and skilled workers may lead to additional infrastructure investments, including the expansion of high-speed internet service to underserved areas of the state.

This bill properly leaves the decision for reducing or eliminating assessments for qualified personal property with local governments, who are best situated to determine whether such a policy fits with community needs and workforce goals.

SB 397 ensures local governments have flexibility in enacting local policies designed to serve and react to community needs. Accordingly, MACo urges the Committee to issue a **FAVORABLE** report on SB 397.