



TESTIMONY PRESENTED TO THE SENATE BUDGET AND TAXATION COMMITTEE

**SENATE BILL 397 -- SALES AND USE TAX AND PERSONAL PROPERTY TAX –
EXEMPTIONS - DATA CENTERS**

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GREATER BALTIMORE COMMITTEE**

Position: Support

Senate Bill 397 provides a sales and use tax exemption for the sale of qualified computer technology for data centers. The sales and use tax exemption applies to purchases of computer equipment, software, servers, routers, connections, mechanical systems, and power supply equipment. The bill applies to data centers that invest at least \$2 million in improvements or new construction and create five jobs in a Tier 1 county or data centers that invest at least \$5 million in improvements or new construction and create 10 jobs in all other jurisdictions.

Data centers, which are secure facilities that house computer and network equipment that store, process and distribute large amounts of data, are a vital part of the growing digital economy. They have a significant and measurable impact on the economy by providing jobs, wages, and taxes for State and local governments.

Senate Bill 397 would create a new incentive that makes Maryland more competitive in attracting data center businesses. This would serve to support the State's mission of being a leader in innovation and investment in cyber and information technology.

Other states have embraced the economic impact of providing incentives to attract data centers. Maryland is one of only 15 states that does not have a data center sales and use tax exemption for the purchase of data center equipment. The lack of an incentive drives data centers to consider other states when building and locating new facilities. Most recently in 2019, Illinois, Indiana, and Alabama passed data center incentive legislation to help their state attract this industry.

This bill is consistent with one of the key tenets in *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, a report published by the GBC that identifies eight core pillars for a competitive business environment and job growth:

Strategic and effective investments in business growth. The State must commit to substantive strategic investments, leveraged with capital assets, to nurture business and job growth. Investments should include competitive and effective tax credits, business development incentives, and tactical initiatives to nurture private investments in industry growth.

Additionally, the GBC's *2020 Legislative Priorities* state that an important priority is to "support a strong economic development infrastructure that improves the business climate, creates jobs, and cultivates entrepreneurship" and "maintain state investment in Maryland's most innovative industries...."

For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 397.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 65-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

GREATER BALTIMORE COMMITTEE

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