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**Statement of Brad Smoot
Legislative Counsel
NetChoice
House Taxation Committee
Regarding 2025 Senate Bill 51
March 6, 2025**

Mr. Chair and Members:

I am Brad Smoot appearing today as a proponent of SB 51 on behalf of NetChoice, a nationwide association of the world's leading online businesses, including some of the best-known internet services such as Amazon, Meta, Apple, X, and Google, etc. We believe that SB 51 offers our state a great business opportunity by incentivizing the investment of billions of private dollars in hyperscale data centers here; not in the more than 30 other states that have already enacted similar incentives.

Your staff has laid out the elements of the bill so I will briefly touch on the obvious ever-growing importance of large-scale data storage facilities to supply the needs of this digital age. Data centers are the infrastructure for state-of-the-art search engines, cloud computing, Web-based services and AI. Virtually everything we do now and in the future that touches the internet will depend on data centers. So, they will be built and operated all over the country. The question is whether they will be built in Kansas or elsewhere.

Hyperscale data centers are not being built in states that impose a sales tax on their construction, equipment, repairs and operation. If Kansas wants to benefit from the billions of private dollars that go into data center construction and operations, it will need to create a tax structure that is competitive with these other states including our neighbors, Missouri, Nebraska, Iowa and Oklahoma.

Kansas tax law recognizes over 100 sales tax exemptions. More than 50 were proposed last year and more are proposed every year. What makes this different is that it does not take tax dollars out of the State General Fund. No hyperscale data center tax dollars are coming into the coffers now nor will they if the exemption is not passed. Tax dollars only come in when the exemption is passed, and data centers select Kansas as a location.

Unlike the data center exemption bills passed by Commerce committees in the House and Senate in 2023 and 2024, SB 51 does not exempt state sales taxes on electricity. Large data centers use lots of electricity, contributing millions annually to the overall benefit of energy suppliers, rate payers and the state and local governments that tax electric power. Attached is a chart that illustrates how the tax on electricity alone generates more state revenues than the exemption losses over time.

In addition to taxes from electricity sales, SB 51 will generate millions in local property taxes, state taxes on salaries and wages for construction and operation of the facilities and new economic activity. An average data center construction project is estimated to produce \$100 Million in salary and wages. That's \$271 Million in new economic activity. Virginia, the leader in data center development, indicates that data centers account for 74,000 jobs; \$5.5 Billion in labor income and \$9.1 Billion in gross domestic product.

Closer to home, NetChoice members have invested billions in 3 of our surrounding states:

Iowa secured Billions of dollars in digital infrastructure, contributing \$629 Million to its GDP and 5,510 jobs.

Nebraska added \$1 Billion to its GDP and created 13,305 jobs.

Oklahoma saw \$613 Million added to its GDP and 5,885 jobs.

As I was testifying last year on this legislation, Missouri announced a plan to build a \$1 Billion data center in St. Joseph, MO -- just across the river. All these states, their people, their communities, and their tax base are winners from the construction and operation of large data centers. With SB 51, Kansans can win, too.

In addition, it is important to remember that unlike numerous other economic development incentives Kansas has or is considering (HPIP, APEX, training income tax credits, refundable tax credits, etc.), SB 51 concerns only one incentive – a sales tax exemption. Millions in state tax dollars are NOT required up front for a data center project. Only when millions of private dollars are committed and spent for a qualifying data center in the state does the sales tax exemption become effective.

For the price of some sales taxes that we're not getting now the state of Kansas and multiple communities can benefit from the investment of millions, even billions, of private dollars pouring into construction and operation of large high-tech facilities with good paying jobs and countless "multiplier" jobs, resulting in the enormous income, sales and property taxes they generate.

We encourage the Committee to favorably consider SB 51. Thank you.

SUPPORT SB 51 TO BRING NEW HYPERSCALE DATA CENTERS TO KANSAS

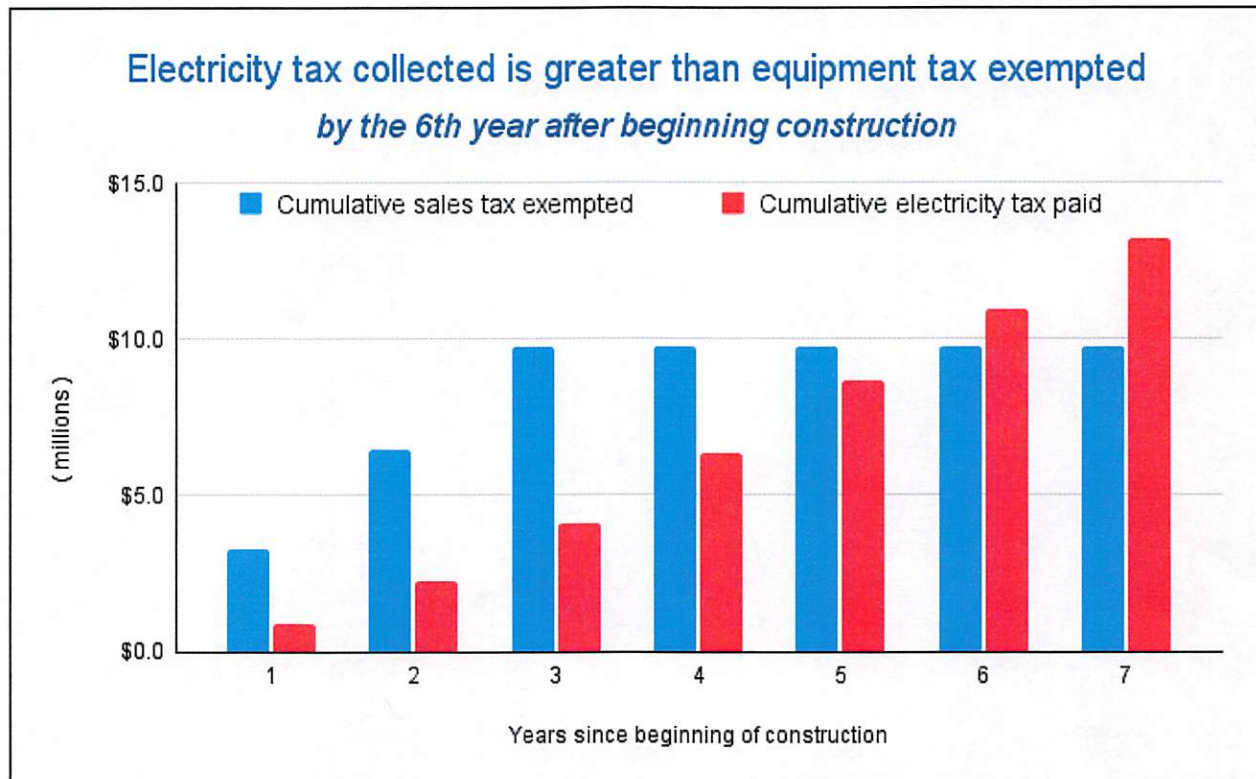
Make Kansas competitive for billions in new investment and high-paying jobs.

Under SB 51, the incremental sales tax paid on electricity adds up to *more than the sales tax exempted on data center equipment.*

"a \$250.0 million project could result in sales tax foregone of \$9.8 million"

Revised Fiscal note from Kansas Division of the Budget, Jan 31, 2025

Using those assumptions, that same data center would pay sales tax on electricity consumed every year. And by the 6th year, the **total sales tax paid on electricity is more than the total sales tax exempted on equipment.**



Year since beginning of construction	Building phase			Operations phase			
	1	2	3	4	5	6	7
Total capital spend	\$83.3	\$83.3	\$83.3				
Portion that is exempt	60%	60%	60%				
Sales tax rate on equipment	6.50%	6.50%	6.50%				
Sales tax exempted	\$3.3	\$3.3	\$3.3				
Cumulative sales tax exempted (\$M)	\$3.3	\$6.6	\$9.9	\$9.8	\$9.8	\$9.8	\$9.8
Electricity Demand (MW)	40	16	24	32	40	40	40
kWh used in the year	140,160,000	210,240,000	280,320,000	350,400,000	350,400,000	350,400,000	350,400,000
Cost per kWh (Industrial avg)	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
State rate for sales tax on electricity	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
State sales tax collected on electricity (\$M)	\$0.9	\$1.4	\$1.8	\$2.3	\$2.3	\$2.3	\$2.3
Cumulative sales tax on electricity (\$M)	\$0.9	\$2.3	\$4.1	\$6.4	\$8.7	\$10.9	\$13.2
Cumulate net sales tax collected by the state	\$ (2.3)	\$ (4.2)	\$ (5.7)	\$ (3.4)	\$ (1.1)	\$ 1.2	\$ 3.5