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TO: House Taxation Committee
FROM: Bob Johnson
Shareholder
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SUBJECT: Testimony in Support of SB51
DATE: March 6, 2025

Members of the Committee:

Thank you for the opportunity to testify before this Committee in support of SB51. I am a Shareholder in a Kansas City-based law firm with a comprehensive national footprint where I focus on economic development projects throughout the country, with a particular emphasis on projects in Kansas. In that practice I have had the privilege to represent the owner of Astra Enterprise Park in De Soto, location of the Panasonic project, among other developments in the state, and have seen firsthand the need for this legislation to catalyze data center development in Kansas, which will lead to the development of facilities for innovative companies who seek to locate in close proximity to the physical location where their data is stored. More specifically my experience has provided insight into what attracts and retains advanced technology, manufacturing, and research and development companies to the state of Kansas. SB51 is critical to this mission, as it directly addresses the infrastructure needs of these innovative companies by incentivizing data center development.

Data centers attract companies that drive the future economy. These companies, heavily reliant on data, benefit by being located in close proximity to where their data is stored. As artificial intelligence becomes increasingly integral, this proximity will be essential across all of the innovative industries we will seek to attract, maintain, and grow in Kansas. Provided the floor set by SB51 of \$250 million of capital investment by any eligible firm, it is exactly those major data centers needed by large data users this bill will incentivize.

Demand for data centers exceeds supply nationwide and I am unaware of any hyperscale data centers in states that have not already passed a sales tax exemption similar to that contained within SB51. Many neighboring states, such as Missouri, Oklahoma, Iowa, and Nebraska, which have already passed a sales tax exemption similar to that contained within SB51, have already attracted major capital investments for large data center campuses housing servers for our nation's foremost technology firms. A sales tax exemption is a make-or-break requirement for technology companies and data center operators because of the constant reinvestment in equipment necessary to run these centers.

As AI and cloud computing continue to grow evermore central to our economy in the coming decade, the demand for more server space and newer technologies by Microsoft, Amazon, Google, Meta, Apple, OpenAI, and many other emerging technology leaders will escalate. This

increase in demand for sophisticated cooling technology and other investment in the inner-workings of data centers will require a sales tax exemption in order to make development and long-term operation of hyperscale data center projects pencil. While it is clear data centers require significant electric power for their operations, the industry is well aware 1) of its responsibility to pay its fair share for both electric transmission and generation so that the operation of a data center is not a unfair burden on current ratepayers and 2) that it is incumbent on the industry to take advantage of emerging technology to lower energy demand for data storage operations.

Demand far exceeds supply for data center development nationwide, a trend which will only accelerate as artificial intelligence and cloud computing demand increasing computing power in the decades to come. That demand has already crowded around our nation's population centers, but astronomical land prices near cities where large users are currently concentrated has made developing new data centers in those areas cost prohibitive. The time is now for Kansas to capitalize on the trend of data center development migrating away from coastal markets to places with strong infrastructure, a skilled workforce, and a more reasonable cost structure. We have all of those economic development pillars in Kansas, and if we build the data storage infrastructure, the headquarters of the innovative companies we seek to attract will follow. Our regional competitors have recognized this and incentivized large data centers that are open or under construction. Adoption of SB51 will ensure that Kansas is no longer left out of consideration for attraction of data centers and, critically, the end users who need to store vast amounts of data.

Without SB51, it is exceedingly unlikely there will be significant data center development in Kansas, certainly of the scope that is required for eligibility pursuant to this legislation. Thus, without SB51, the sales tax that is exempted by this statute would not otherwise materialize, nor would the positive benefits of building major data centers referenced in my previous testimony. As a result, SB51 is a narrowly tailored, well-designed tool to attract development that will bring more innovative companies, direct and indirect income, sales, and property tax revenues, and highly skilled jobs.¹ Data centers are the "brain" of the future economy, and the time is now to seize on the significant current demand for growth in this industry so that Kansas is not left behind. The benefits of passing SB51 into law will be profound and lasting for the Kansas economy for decades to come.

Thank you again for the opportunity to appear before you in support of SB51.

RCJ:

¹ For example, the data center tax base in Loudoun County, a central hub of North Virginia's data centers, constitutes 58.5 percent of the municipality's total tax revenue, thus reducing the overall tax burden for its residents.