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**Written Testimony of Kasia Tarczynska
Senior Research Analyst, Good Jobs First
To the State of Rhode Island
Senate Committee on Commerce
Senate Bill No. 2346
Providence ~ March 10, 2026**

Re: S2346 - Qualified data center location incentive

My name is Kasia Tarczynska, and I am a Senior Research Analyst with Good Jobs First, a non-partisan public interest research center. We promote transparency and accountability in economic development incentives across the United States by collecting and analyzing incentive data, producing reports, and assisting community groups and public officials. Since 2016, we have researched and written extensively about sales and use tax exemptions and other economic development incentives provided to data center projects.

Based on our research and experience, we find Rhode Island's proposed Qualified Data Center Location Incentive problematic and therefore **do not support** passage of S2346. The key areas of concern are:

The data center industry does not need public financial support. The data center industry has been rapidly growing across the country, driven in large part by the deployment of artificial intelligence (AI) and cloud computing services. To meet the public demand for their AI products, major technology companies are investing hundreds of billions of dollars in this infrastructure. Given the scale of private investment naturally occurring in this industry, there is no justification for providing public financial support to attract these projects.

Not capping the exemption leaves Rhode Island vulnerable to rapidly escalating costs. Sales and use tax exemptions provide companies with a 100 percent tax exemption on purchasing materials and equipment needed to build and

operate data centers. Much of that equipment must be replaced every few years, meaning the subsidies continue long after initial construction. There are no limits on how much tax exemptions a single company can access each year, or how much tax revenue the state could forego in a single year.

Because of the open-ended structure of these programs, our research shows that the cost of data center sales and use tax exemptions has been growing rapidly across the country, creating significant fiscal risks for many states.¹ We have documented that at least 10 states lose more than \$100 million *annually* to data center sales and use tax exemptions. Texas is projected to lose \$1.3 billion this fiscal year.² Virginia lost almost \$1.9 billion in 2025.³ Even states with relatively few data center projects face substantial costs: Nevada lost \$132 million in 2024 and Minnesota \$115 million in 2026.⁴

S2346 raises similar concerns for Rhode Island. The bill contains no safeguards, such as annual program caps or per-company limits, on how much tax revenue could be abated.

The program structure and lack of transparency might create significant difficulties for Rhode Island to track and report to the public the costs of the subsidy. We have found that states struggle to accurately estimate how much revenue they are losing to these sales tax exemptions. For example, within a single year Pennsylvania revised its estimates of data center sales tax exemption costs for 2025 from \$43 million to \$115 million.⁵ Georgia is now expected to lose \$2.5 billion to these exemptions in fiscal year 2026, 664 percent higher than the state's earlier estimate of \$327 million.⁶ These dramatic revisions occur largely because data center incentive programs have minimal or no reporting requirements and companies receiving the exemptions are not required to report the value of the tax benefits they receive.

S2346 would amend Rhode Island's sales tax statute (44-18-30) by adding data center equipment to the list of purchases exempt from sales and use taxes. This provision would place data centers in the same category as charitable, educational, and religious organizations. In effect, purchases of construction materials or computer chips for private data centers would receive the same tax treatment as essential goods such as food or medicine.

Structuring the exemption this way would make it extremely difficult for Rhode Island to track the cost of the program. The bill does not require companies to submit information to state agencies on how much sales tax exemptions they will benefit from. Furthermore, the bill does not require any public reporting creating no incentive for state agencies to calculate and publicly report the program's impact on

the state budget; there is also no requirement to report to the public which companies will take advantage of this subsidy or what obligations they have to meet in exchange for this tax break.

Sales and use tax exemption do not generate new tax revenue for states. Other states have determined that data center tax abatements have a negative fiscal return on investments. An independent audit in Virginia found that for every dollar abated via the data center sales tax incentive, only 48 cents is returned to the state budget.⁷ A Georgia audit found an even worse outcome: in 2025, data centers there were projected to receive \$474 million in sales tax exemptions but generated only \$41 million back in tax revenues, a 91 percent negative return on investment.⁸

There are no job creation or job quality requirements. Data center projects generate relatively few permanent jobs compared with other types of economic development investments. Most employment occurs during construction, which is temporary and often filled by workers from outside the state. Because permanent employment is limited while subsidies can be very large, the public cost per job at data centers can reach \$1 million or more, making it extremely difficult for taxpayers to break even.

Despite those concerns, the proposed bill does not require companies to create any jobs. Instead, the bill only requires a payroll threshold. This would allow companies to average salaries of very few highly paid positions with salaries of many lower wage positions. Reports from data center technicians show that those jobs can pay as little as \$15 per hour and are filled by subcontractors hired through specialized temp agencies.⁹

In addition, the bill removes the limited payroll requirements for projects located in Enterprise Zones or federal Opportunity Zones. These areas are, by definition, economically distressed and yet the legislation does not require companies locating in them to provide any specific commitments regarding job creation, wages, or other community benefits.

Another troubling aspect of the proposed legislation is that it exempts “maintenance work” at data centers from the requirement to enter into a labor peace agreement. Because many permanent positions at data centers involve maintaining and servicing equipment, this exemption could apply to a large portion of the long-term workforce.

Automatic local subsidies are built into the program creating several layers of subsidization. In addition to state tax exemptions, projects often receive substantial incentives from local governments. For example, over 10 years, a Google

data center in North Carolina paid \$5 million in taxes to county government but received \$77 million in property tax rebates.¹⁰ In 2025, an Oregon school district reported losing \$22 million in tax revenue to Amazon data center property tax breaks given through an enterprise zone.¹¹

If a data center is located in Rhode Island's EZs and OZs, it becomes automatically eligible for additional local, state and federal tax breaks that come with those zones. This layering of incentives can significantly increase the total public subsidy provided to a single project.

For these reasons we recommend that Rhode Island not implement a sales and use tax exemption program for data centers as proposed in S2346.

If this incentive program must be created, we strongly recommend adding strict safeguards and transparency requirements, including:

- Annual caps on the total cost of the program and limits on how much any single facility or company can receive each year.
- A requirement that each data center company enters into a formal contract with the state specifying job creation targets, minimum wages by job type, investment commitments, and other enforceable obligations.
- Limiting the tax exemption to no more than 50 percent rather than a full exemption.
- Prohibiting companies participating in this program from receiving benefits or tax breaks via other state and local incentives.
- A requirement for a state agency to track and publicly report the total value of tax exemptions provided annually. Reports should disclose each recipient company and its corporate parent, the amount of tax exemption received, jobs created and wages paid, and total investment made.
- A requirement to hire Rhode Island workers, preferably workers from the hosting region; strong wage standards for *all* workers; a requirement for incentivized companies to sponsor apprenticeship, on-the-job, or other training programs with a path to full employment for local workers.

Finally, our comments today focus primarily on the fiscal implications of the proposed incentive. Legislators should also **consider the broader impacts of the data center industry**, including demand for electricity and water, potential

increases in power rates, environmental impacts, air quality, public health, housing pressures, and overall quality of life for Rhode Island residents. A full evaluation of data center incentives should account for these broader costs.

Thank you. I look forward to your questions. Please feel free to email me at kasia@goodjobsfirst.org

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¹ LeRoy, G. & Tarczynska, K. (2025). *Cloudy with a Loss of Spending Control: How Data Centers Are Endangering State Budgets*. Good Jobs First. <https://goodjobsfirst.org/cloudy-with-a-loss-of-spending-control-how-data-centers-are-endangering-state-budgets/>

² Texas Comptroller of Public Accounts. (2025). *Tax Exemptions & Tax Incidence Report. A Report to the Governor and the 89th Legislature*: <https://comptroller.texas.gov/transparency/reports/tax-exemptions-and-incidence/>

³ Virginia Department of Taxation and Virginia Economic Development Partnership Authority. (2026). *Biennial Data Center Retail Sales and Use Tax Exemption Report*: <https://rga.lis.virginia.gov/Published/2026/RD40/PDF>

⁴ LeRoy, G. & Tarczynska, K. (2025). *Cloudy with a Loss of Spending Control: How Data Centers Are Endangering State Budgets*. Good Jobs First. <https://goodjobsfirst.org/cloudy-with-a-loss-of-spending-control-how-data-centers-are-endangering-state-budgets/>

⁵ Based on a data comparison included in 2025-2026 and 2026-2027 Governor's Executive Budgets published by the Pennsylvania Office of the Budget. <https://www.pa.gov/agencies/budget/publications-and-reports/commonwealth-budget#accordion-8641fc0006-item-70db1b6eaf>

⁶ Tarczynska, K. (2026). *Georgia estimates \$2.5 billion in losses to data center tax breaks in a single year*. Good Jobs First: <https://goodjobsfirst.org/georgia-data-center-tax-breaks/>

⁷ Virginia Joint Legislative Audit and Review Commission. (2024). *Report to the Governor and the General Assembly of Virginia: Data Centers in Virginia*. Commonwealth of Virginia. <https://jlarc.virginia.gov/pdfs/reports/Rpt598-2.pdf>

⁸ Justice, J. & Shephard, T. (2025). *Tax Incentive Evaluation Georgia High-Tech Data Center Equipment Exemption*. The University of Georgia Carl Vinson Institute of Government For: Georgia Department of Audits and Accounts. <https://www.audits2.ga.gov/reports/summaries/georgia-data-center-sales-use-tax-exemption/>

⁹ Tarczynska, K. (2026). *5 Questions with Shannon Wait: About all those amazing data center jobs...* Good Jobs First: <https://goodjobsfirst.org/5-questions-with-shannon-wait-about-all-those-amazing-data-center-jobs/>

¹⁰ Data provided to Good Jobs First via email by the Chief Financial Officer of Caldwell County, North Carolina. May 12, 2025.

¹¹ Morrow County School District, Oregon. (2025). *Annual Financial Report for the Fiscal Year Ended June 3, 2025*: <https://secure.sos.state.or.us/muni/report.do> (p. 41)