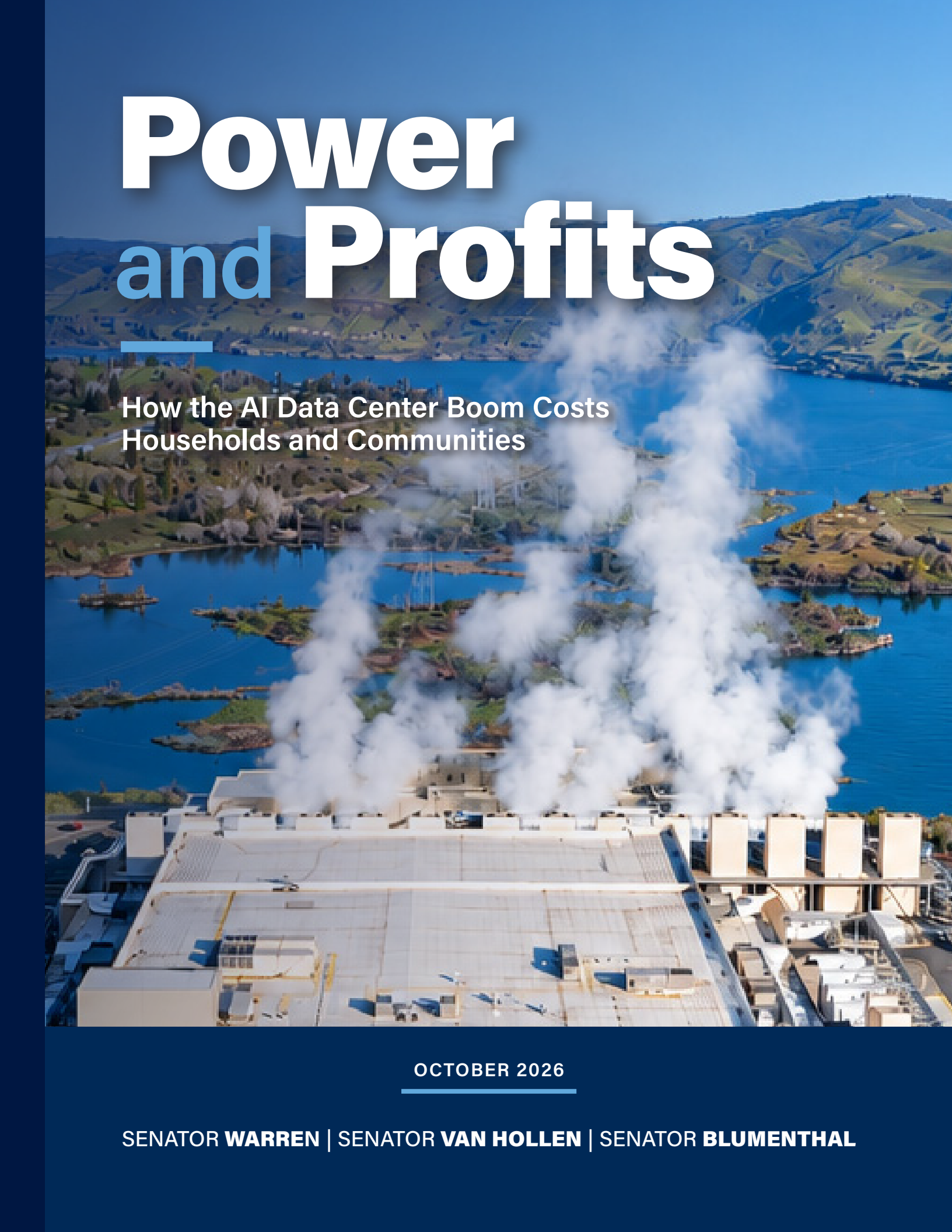


Power and Profits



How the AI Data Center Boom Costs
Households and Communities

OCTOBER 2026

SENATOR **WARREN** | SENATOR **VAN HOLLEN** | SENATOR **BLUMENTHAL**



Power and Profits: How the AI Data Center Boom Costs Households and Communities

There are widespread and growing concerns that the explosive growth of data centers in the United States is driving up residential utility bills, polluting and monopolizing local water supplies, and costing state and local governments billions in tax breaks. Local communities across the country are understandably fighting for moratoriums on data center development while they evaluate these and other costs. To better understand the broader impacts and help ensure data center operators are held accountable, in December 2025, Senators Warren, Van Hollen, and Blumenthal opened an investigation into the data center operators.¹ The Senators' inquiry sought to understand whether and how costs are being passed down to ordinary Americans - and if the data center companies are taking appropriate steps to address these concerns. This report contains the results of this investigation, revealing that even though data center development is dominated by some of the wealthiest companies in the world,² these same companies are not doing enough to pay their "fair share," and in fact continue to aggressively seek financial subsidies from residential ratepayers and state and local governments. This leaves ratepayers, taxpayers, and local communities shouldering many of the costs while Big Tech reaps the benefits.

This report is based on information provided by seven of the largest data center operators—Amazon, Google, Meta, Microsoft, CoreWeave, Digital Realty, and Equinix—in response to Congressional inquiries, including interviews with Congressional staff. It reveals that:

- 1. The data center companies' commitments to pay their "fair share" do not cover the full spectrum of costs that data centers impose on residential ratepayers.** While the data center companies publicly claim they support paying the energy costs required to serve their facilities, these commitments primarily cover the costs of infrastructure built exclusively to serve their facilities and do not fully encompass the broader system upgrades needed as a result of their massive power demands. The companies broadly opposed "but-for" cost allocation standards requiring them to pay the full cost of upgrades triggered by their facilities, instead arguing that these costs should be shared by all ratepayers. Moreover, while the companies point to state large load tariff policies as regulation preventing costs being shifted onto consumers, the companies regularly lobby state legislatures for more favorable terms, including through playing states off of each other by threatening to move elsewhere.³
- 2. The majority of data center developers, including all four Big Tech companies, intentionally seek NDAs that limit community input on AI data center locations and impacts.** All four hyperscalers routinely request nondisclosure agreements from utility companies, landowners, other commercial partners, and in some cases even government officials. Several of the Big Tech companies explicitly acknowledged that the goal of requesting NDAs with public officials is to limit public scrutiny by preventing the local community from learning about the project.
- 3. The data center companies continue to aggressively seek tax breaks that cost states billions in lost revenue while providing little quantitative evidence of the economic benefits they provide to states and local communities.** While the developers surveyed often downplayed or avoided acknowledging the billions of dollars in tax incentives they receive from state and local communities throughout the Congressional inquiry, in practice, they actively seek out lucrative tax incentive packages. They acknowledged that they will continue to request and accept sales tax exemptions on chips and other equipment, the most valuable form of tax break for data centers. Despite accepting billions of dollars in financial subsidies from state governments, none of the seven companies surveyed were able or willing to offer comprehensive quantitative evidence on full-time job creation at their facilities.

Introduction

Energy demand in the U.S. is skyrocketing due in large part to power-hungry data centers. Data centers are estimated to account for around 20% of all domestic energy use in 2035, up from 5.9% today.⁴ A typical AI data center uses the same amount of electricity as 100,000 households annually,⁵ and some data centers currently under construction could use as much electricity as four million homes.⁶ And data centers are straining a grid already at the breaking point: approximately one-third of U.S. transmission infrastructure and approximately half of U.S. distribution infrastructure is operating “near or beyond its useful life.”⁷

Data centers’ energy needs are already driving up utility bills, which are outpacing overall inflation for the first time in decades. Utilities debt is increasing nationwide, with one in three households reportedly struggling to pay their utility bills⁸ – and costs are projected to keep rising as data center demand increases.⁹ In the 13 mid-Atlantic states served by PJM Interconnection, data center demand will add an estimated \$6.3 billion in charges for ratepayers in 2028 and 2029.¹⁰ In New Jersey, data centers were “the main driver” of a 20% increase in utility bills in June 2025 and one of the main factors contributing to an almost 18% increase in residential bills in Washington, D.C. over the past year.¹¹ Investor-owned utilities across the country requested \$18 billion in rate increases in 2025, the highest level in decades,¹² due to demand growth driven primarily by the data center industry,¹³ and these rate increases are expected to cause bills to rise even further.¹⁴ One estimate found that demand from data centers and other outsized energy consumers could increase electricity costs by as much



as 57% in areas with significant data center demand such as Northern Virginia.¹⁵ And the interconnected nature of the grid means that costs in one state can be caused by a data center located in another state.¹⁶ Ratepayers in Maryland, for instance, will pay \$1.6 billion for transmission infrastructure over the next decade that will “mainly serve out-of-state data centers.”¹⁷

There are multiple ways in which data centers drive these cost increases. First, energy demand—driven primarily by data centers¹⁸—is outpacing supply, causing energy costs to rise.¹⁹ Second, a utility company may need to build hundreds of millions of dollars in new infrastructure to accommodate a data center,²⁰ costs which are currently spread across all ratepayers.²¹ One study found that between 2022 and 2024, utilities charged ratepayers approximately \$5 billion to fund over 150 transmission projects “needed only to connect data centers.”²² In Virginia, roughly three-quarters of the utility Dominion Energy’s 2025 transmission spending was directly or indirectly due to data centers, a total cost of \$6.2 billion socialized across all ratepayers.²³ Moreover, employees of the state’s PUC testified that nearly 45% of those costs were attributable to transmission lines “directly related to specific data centers,” though these costs were socialized across all Dominion customers.²⁴ Indeed, even the data centers have begun to acknowledge this problem: testimony filed on behalf of Google conceded



that much of this infrastructure “would not need to be built but for the growth in the data center industry and are often only serving one or a few customers,”²⁵ and that the costs “are currently socialized across all customers, creating upward pressure on all customers’ electric rates.”²⁶

These data center projects have also been shrouded in secrecy. Some data center developers have maintained a longstanding practice of requesting non-disclosure agreements (NDAs) with numerous stakeholders involved in the process, including state and local officials, local water companies, owners of the land on which the data centers would be built, university researchers, and even staff at a local restaurant in which a potential deal was discussed.²⁷ Communities are sometimes unaware a data center is being built until construction has already begun.²⁸

Data centers further receive substantial state tax incentives with few strings attached. As of April 2026, a majority of states offered tax incentives for the data center industry specifically.²⁹ At the time, those states all offered some form of sales tax exemption,³⁰ which typically applies to everything from server racks to data-storage systems, fiber-optic cabling, and stand-by power generators.³¹ Fourteen states extended sales tax breaks to the electricity used by data center facilities,³² and 11 states additionally offered a statewide property tax break for data centers.³³

These tax exemptions often require data centers to meet certain qualifications, such as creating a specified number of permanent jobs or bringing their own independent energy sources such as backup generators.³⁴ In practice,

the qualifications set such a low bar that they can often be met with relative ease.³⁵ In Illinois, which requires that data centers create 20 jobs to receive its tax incentive, 29 of the 34 data centers that received this incentive as of December 31, 2025 created exactly 20 jobs.³⁶ The only data center significantly more than that, operated by Meta under the shell company Goldframe LLC,³⁷ has reportedly created 50 jobs and received \$50,000,000 in tax benefits,³⁸ an average of \$1,000,000 per job. However, a number of states are pushing back on the data center industry and have moved to repeal or reduce these incentives—in some cases passed well over a decade ago³⁹—as the full picture of costs and benefits has become clearer.⁴⁰

Amid these reports that data centers are driving up consumers’ electricity costs and deliberately concealing relevant information from their communities, Senators Warren, Van Hollen, and Blumenthal opened an investigation into the business practices of the largest data center developers. On December 15, 2025, the lawmakers sent letters to Amazon, Google, Meta, Microsoft, CoreWeave, Digital Realty, and Equinix, requesting detailed information on their data centers’ energy usage and the companies’ plans to mitigate their impact on local communities, including residential utility costs.⁴¹ The Senators’ staff supplemented this investigation with additional information obtained from interviews and discussions with key employees of these companies. This report contains the key findings from this investigation.

FINDINGS

A. Data Centers Are Not Paying Their Fair Share

1. Data center companies' commitments' to "pay their way" are inadequate and lack key guarantees for ratepayers.

All of the data center companies claimed that they pay their "fair share" of the costs of the energy required to serve them,⁴² stating in their initial responses that they "share [the Senators'] concerns about increased consumer utility costs"⁴³ and are committed "to ensuring digital infrastructure growth advances without compromising energy affordability or reliability for American families."⁴⁴ They reiterated these commitments in interviews with Congressional staff.

In their initial responses, all four Big Tech companies touted the fact that they pay for the direct costs of the electricity used by their data centers. Google wrote that the company pays "for 100 percent of the electricity we use to power our data centers;"⁴⁵ Microsoft said it was committed to paying "for the electricity that we consume;"⁴⁶ Meta stated it pays "the full costs for energy used by our data centers"⁴⁷; and Amazon likewise noted that it pays "the full cost of the electricity we use."⁴⁸

This commitment to pay their electricity bills, however, fails to address many of the broader infrastructure costs that data centers impose on consumers, allowing these trillion-dollar companies to attempt to claim credit for covering their bills as every residential user does while leaving the public responsible for many of the largest costs. This staff investigation found that when a data center operator commits to paying their "fair share"⁴⁹ of energy and infrastructure costs, they are often making an undefined and incomplete commitment. There is a significant gap between data center developers and the public regarding how much data centers should pay for shared infrastructure, and particularly for infrastructure built primarily, but not exclusively, for their benefit.

There are two broad types of costs incurred by utilities when connecting new data centers to the

electric grid: (1) costs incurred due to dedicated, customer-specific infrastructure, such as a new substation exclusively servicing a particular data center, and (2) costs required to build or upgrade shared grid infrastructure, including "but-for" network infrastructure that may benefit other ratepayers but would not have been built but for the data center.⁵⁰

In both their initial letter responses and subsequent interviews with Congressional staff, all data center developers made clear that their commitments to paying their "full energy costs"⁵¹ and "full cost of service"⁵² refer to the costs of infrastructure exclusively benefitting them. Representatives of multiple hyperscalers indicated that their company is committed to paying the full costs only for infrastructure that is directly attributed to and exclusively services its data centers, with one giving the example of a substation built to meet the needs of a specific data center. Google stated in its initial response in January 2026 that they work "to ensure we cover the costs of new infrastructure directly attributable to our growth," and that the company "pays its fair share for infrastructure built specifically to serve our operations,"⁵³ and again repeated this stance in written follow-up in July 2026.⁵⁴

But data center developers have refused to commit to shouldering the full costs of wider network upgrades incurred due to their data centers. Put another way, the companies commit to paying for infrastructure that solely benefits them, but dispute how much they should pay for shared infrastructure that is paid for by all ratepayers but was only built to accommodate the data center. In their responses and subsequent discussions with congressional staff, the companies uniformly acknowledged they are willing to pay some, but not all, of any additional infrastructure upgrade costs. For instance, in their initial letter responses, Google stated that it is "committed to ... contributing to

other costs associated with growth,”⁵⁵ Amazon stated that it makes “substantial investments in new generation and transmission infrastructure that benefit all ratepayers,”⁵⁶ and Meta stated that it will “help support new and upgraded grid infrastructure, including power generation, substations and transmission lines.”⁵⁷ In interviews with Congressional staff, several of the companies surveyed elaborated that the proportion of the cost of network upgrades that a data center is willing to pay varies case by case, with one company explicitly stating that it would not support paying for the full cost of intraregional network upgrades needed by a data center.

Moreover, even when data centers claim they are committed to paying a portion—though not all—of the costs of infrastructure attributable to their facilities, they have continued to seek to limit even this bit of responsibility, disputing whether certain infrastructure is in fact directly attributable to their facilities and consequently what proportion of the costs they should have to pay. In one instance, the President and CEO of Entergy Louisiana put out a press release that an agreement with Meta for its \$50 billion Louisiana data center “is structured so that Meta covers its own costs”⁵⁸ and “pays its full cost of service.”⁵⁹ However, in practice, Meta has resisted efforts to hold it accountable for paying costs associated with this data center. In a case currently under review by the Louisiana public utility commission (PUC),⁶⁰ while an independent consultant for the PUC determined that a new power plant purchase is “driven primarily” by the Meta data center, Entergy Louisiana argued that “[n]o single customer is driving this acquisition”⁶¹ while Meta characterized the consultant’s report as “inaccurate speculation,”⁶² advocating for costs to be shared across the ratebase. The PUC consultant’s report estimated that adding the new power would cost an average Entergy Louisiana ratepayer as much as \$150 per year.⁶³

Consumer advocates have increasingly pushed for a “but-for” cost allocation standard in which a data center or other large load is responsible for shouldering the full costs of infrastructure upgrades triggered by their facility. In May 2026, the Maryland Office of People’s Counsel argued in a filing to FERC that charging a data center “100 percent of upfront network upgrade costs” needed to interconnect the data center is “necessary to deliver on” the Ratepayer Protection Pledge the

companies signed.⁶⁴ In Pennsylvania, the state’s Office of Consumer Advocate recommends that if a data center or other large load customer “is the but-for cause of distribution or transmission Network Improvements – i.e., but for the Large Load Customer, those upgrades would not have been needed – then the Large Load Customer should be responsible [for] 100% of the cost of those upgrades.”⁶⁵ In an ongoing utility case before Virginia’s state PUC, consumer advocates and the VA Governor’s office argued that data centers should be responsible for paying for any infrastructure that would not have been built for the data centers’ energy demands.⁶⁶ A utility company has also asked FERC to require data centers to pay for their transmission upgrades instead of spreading across the rate base, noting that “American households are being asked to pay for transmission infrastructure built to serve hyperscale data centers.”⁶⁷

In interviews with Congressional staff, data center operators broadly opposed but-for cost allocation standards, arguing that since the new or upgraded infrastructure will benefit a wide range of ratepayers, the costs should be distributed among all ratepayers, even if the infrastructure would not have been built but for the existence of the data center. Despite touting its commitment to pay the full costs of new infrastructure required to serve its data centers in press releases, one hyperscaler told Congressional staff that it believed that infrastructure upgrades often provide a system benefit which should be shared among all ratepayers. When pressed, company representatives stated that the company disagrees with a proposal put forward by the Pennsylvania state legislature requiring data centers to cover “costs [that] would not have been incurred but for the electricity demand of the [data center].”⁶⁸

In sum, when data center developers make public pledges to pay their “fair share,” and “their full cost of [electric] service,”⁶⁹ this promise does not include the full range of costs triggered by the massive data center buildout. The companies’ commitments to pay their electricity bills fail to address many of the costs that data centers impose on consumers, such as intraregional network upgrades and other expensive infrastructure paid for by all energy users but primarily benefiting data centers.⁷⁰

FINDINGS

2. Data centers are taking advantage of state regulators to shift more costs onto consumers.

To prevent data center-related costs from being spread to consumers, a wave of states have begun enacting billing practices known as “large load tariffs,” which refer to special requirements for outsized energy users such as data centers.⁷¹ Large load tariffs vary widely in their provisions and what they require of data centers, but common features include minimum contract lengths, exit fees to protect consumers in case data centers leave a community after utilities incur large expenditures to provide them with power, minimum billing demands (e.g., to bill the customer at a fixed percentage of expected peak demand regardless of actual demand), and requirements that data center companies pay costs up front.⁷² Some tariffs will additionally include clean energy requirements and “‘bring your own’ generation” requirements.⁷³

The data center developers claimed that state large load tariffs ensure that data centers pay the costs for which they are responsible. In their communications with Congressional staff, the data center companies said that they were “generally” or “broadly” supportive of the high-level concept of a state large load tariff. Several of the hyperscalers noted that large load tariffs help ensure that the company bears the financial risk of data center development, describing such tariffs as improving planning for long-term transmission buildout and allowing utility companies to secure upfront financing from the customers that are requesting the infrastructure.

In practice, however, large load tariff designs vary widely, and the data centers regularly lobby state legislatures for favorable terms.⁷⁴ The data center industry has long held that a data center-specific rate class would be “discriminatory,”⁷⁵ a view all companies reiterated over the course of the investigation. Several of the Big Tech firms, for instance, stated that their preference would be for

the costs to be assigned to all industries, as the data center industry is not solely responsible for rising energy demand and they did not support singling out a particular industry. Another Big Tech company further stated that even a tariff which formally applies to all large loads could be considered discriminatory if the size threshold is high enough such that the majority of large consumers would belong to the data center industry, and gave the example of a 200 MW threshold.

Minimum billing demand charges — which require data centers to pay for a certain percentage of contracted capacity each month regardless of whether or not they use the electricity⁷⁶ — are another component of large load tariffs that data center developers often seek to water down in practice. While consumer advocates and independent analyses have supported minimum billing demands in the range of 80 to 90 percent — thresholds considered sufficient to eliminate volatility in utility revenue from data centers and significantly reduce the risk of cost-shifting to ratepayers⁷⁷ — the data center companies generally advocated for lower thresholds in interviews with Congressional staff, with one Big Tech firm characterizing 90 percent monthly minimum demand charges as “insanely high” and other companies also refusing to endorse a threshold this high. Another hyperscaler stated that it usually views 50 percent as a reasonable threshold, but it would be aligned with 90 percent minimum monthly demand charges if the utility company could provide adequate justification. While another company noted that it views upfront demand percentages of 85 to 90 percent as unreasonably high because facilities typically do not use all of their projected energy demand in practice, utilities must build capacity infrastructure — making financial investments for which they

must recoup the costs — based on the projected capacity requirements given to them by data centers.

And even seemingly strong large load tariffs provisions can interact and overlap with other terms, such as contract lengths and exit fees, to result in weak regulatory policy that is insufficient to cover the costs of serving a data center.⁷⁸

The complexity of large load tariff design leaves substantial room for industry to craft a tariff that appears to protect ratepayers but is in practice favorable to the industry, leaving open the possibility that a utility may not be able to fully recoup its costs — for instance, a minimum billing demand of 85 percent may be inadequate when paired with a comparatively short contract length. Multiple companies acknowledged this interdependence in interviews, noting that what they consider a “reasonable” percentage threshold for minimum demand charges will depend in large part on exit fees, contract duration, and other aspects of the tariff, and indicating that even commitments to high minimum billing demand percentages may not be as meaningful as they initially seem.

While the data centers held up state PUCs as regulatory bodies responsible for ensuring that the data centers are indeed covering their costs, some of the same companies have accepted special exemptions circumventing this very oversight. Well-designed large load tariffs are a necessary precondition to protect ratepayers, but rate cases and tariff filings before a state’s PUC will determine how costs are actually allocated. PUCs are intended to be public advocates for consumers and local communities, ensuring that new infrastructure investments proposed by investor-owned utilities are “necessary and beneficial.”⁷⁹ The data centers promoted this narrative of PUCs providing sufficient oversight, with Google emphasizing that while their “pricing terms are held confidentially to protect competition,” the terms “remain subject to regulatory review by the PUC to ensure that the

terms are in the public interest and avoid cost-shifting to other customers.”⁸⁰ In written follow-up with Congressional staff, Meta similarly referenced PUCs as conducting oversight of any agreements between data centers and utility companies, describing utilities as “heavily regulated by state commissions ... to protect all customers from cost-shifting.”⁸¹

In practice, however, the data centers can receive special treatment allowing them to circumvent standard PUC oversight. Despite Meta’s explicit response to Congressional staff that PUCs ensure Meta covers its cost of service,⁸² as part of the building process for Meta’s flagship Hyperion data center in Louisiana, the state PUC “skipped having an independent administrative judge weigh in on whether the project was in the public’s best interest, something that is typically done in Louisiana but would have slowed down the project.”⁸³ In another instance of data centers circumventing standard regulatory oversight and approvals, a 2024 Mississippi law allowed an Amazon data center project to skip the standard PUC review process, granting Amazon and Entergy Mississippi permission “to move forward without approval from the [PUC].”⁸⁴ The law further “prevent[ed] the commission from altering any terms of the contract for its entire duration – the length of which is also hidden – such as how costs are shared between the two sides.”⁸⁵ An independent report found that this project had raised nearby residential bills by up to \$10.60 per month.⁸⁶

B. Data Centers' Use of NDAs and Confidentiality Agreements Keeps Ratepayers and Communities in the Dark

1. The majority of data center companies surveyed, including all four Big Tech companies, routinely seek NDAs for their data center projects.

Non-disclosure agreements (NDAs) can conceal critical information about proposed data center construction — including energy and water demands, public financial assistance, and even the very existence of the data center — limiting public scrutiny and making it harder to determine the true impact of a data center on its surrounding community until it is too late. The majority of companies surveyed acknowledged that they request NDAs from a variety of relevant parties, including public officials and landowners, and frequently characterized the use of NDAs as standard practice.

Some data centers claimed that the utility companies were the drivers behind the NDAs. One company initially claimed that, in cases where it had signed an NDA, the NDA had been requested by the utility company, though it later acknowledged asking landowners to sign NDAs when purchasing from a private seller. In written follow-up correspondence, Google asserted that “[u]tility companies routinely require an NDA prior to engaging in substantive commercial discussions or disclosing proprietary system information.”⁸⁷ While all four Big Tech companies seek NDAs throughout the data center development process,⁸⁸ one of the non-Big Tech firms, by contrast, claimed that it had never been asked for an NDA by any utility company and had never requested an NDA from any entity in relation to their data centers.

Data centers' requests for NDAs from state and local governments raise particular concerns

because they keep communities in the dark and unaware of deals between data center companies and community officials until deals are complete, as was the case with Meta's \$50 billion data center in Louisiana.⁸⁹ Several of the hyperscalers acknowledged requesting NDAs from local governments when pressed by Congressional staff. Microsoft announced in January that it will no longer seek NDAs with local governments,⁹⁰ but this commitment is limited in scope and came only after substantial community backlash: the company confirmed in writing with Congressional staff that it will continue to seek NDAs with state-level agencies such as PUCs, as well as with energy utility companies.⁹¹ Amazon similarly announced in early October that it would no longer seek NDAs with the “government agencies” the company works with,⁹² but it is unclear which government bodies are included in this commitment and whether the commitment also applies to Amazon contractors, which are often the entities directly interfacing with government officials and other relevant stakeholders.⁹³ Google and Meta declined to commit to ending the use of NDAs with local governments.⁹⁴ While one non-Big Tech company acknowledged seeking NDAs with commercial partners, the company clarified that it does not seek NDAs with municipal or local governments.

2. Developers use NDAs to limit community input.

In interviews with Congressional staff, the companies which request NDAs revealed that they typically seek these agreements as early as possible in the negotiation process, often with the deliberate intent of preventing the community from learning about the project. One hyperscaler stated that its preference is to ensure it is covered by an NDA prior to entering into the negotiation process with the utility company, and another company similarly noted that it requests NDAs from landowners in certain cases as part of the process of surveying potential sites.

Some data centers explicitly acknowledged that they prefer to limit local community engagement. In written follow-up with Congressional staff, Meta stated that “[m]aintaining confidentiality during project development increases efficiency and speed by enabling all stakeholders to remain focused on the needs of a proposed project,”⁹⁵ implicitly excluding local residents from the group of relevant stakeholders. Meta framed this as a courtesy to the community, writing that “we may choose not to invest in a site we are considering, so we do not want to pull entire communities through the ups and downs of our due diligence process.”⁹⁶ Google offered similar justification, writing that “[c]onveying speculative information to the public and/or public officials during [early project diligence] can be more harmful than withholding,” and that it is “in the best interest of both parties to assure that information flow is accurate and constructive.”⁹⁷

While the developers cite the need to protect sensitive information from competitors as justification for their strategy of seeking NDAs prior to entering into the negotiation process, this practice conceals the fact that a data center is being built from both competitors and local communities. Indeed, Meta’s business approach to its \$50 billion Louisiana data center has been described as “a blueprint for other companies intent on avoiding local opposition in order to get massive data centers built fast.”⁹⁸

In defense of their practice of requesting NDAs with utility companies and other relevant stakeholders, several data centers pointed to state PUCs as conducting oversight of any agreements between data centers and utility companies and ensuring the terms are beneficial for the community. As noted above, however, in at least one case data centers have circumvented PUC review altogether,⁹⁹ and even in cases where a state PUC does indeed review and publish contracts between the data centers and the utility companies, however, the degree of public visibility into contracts in practice is an open question—in Saline Township, Michigan, two contracts between an Oracle data center and the electric utility company were “so heavily redacted that the state’s attorney general is challenging them in court.”¹⁰⁰ Moreover, PUC oversight does nothing to ensure that local communities are informed when plans for a data center are being negotiated, allowing data centers to gesture at redacted contracts as evidence of public transparency while continuing to take steps to conceal critical information from communities.

C. Data Centers' Use of Tax Incentives Costs States Billions

1. Data center companies continue to aggressively seek—and obtain—state and local tax breaks, imposing enormous costs on communities.

The extreme and unprecedented growth in both the number and size of data centers in the U.S. has led the value of these state tax exemptions to balloon far beyond what state lawmakers originally anticipated in many cases.¹⁰¹ Texas's sales tax exemption for the data center was originally enacted in 2013,¹⁰² exempting the data center industry from Texas's 6.25% sales and use tax for both equipment as well as electricity as long as a data center creates at least 20 jobs which pay at least 120% of the surrounding county's median salary.¹⁰³ At the time the law was passed, Texas's Legislative Budget Board estimated that the exemption would cost the state \$14.6 million between May 2013 and August 2015.¹⁰⁴ In April 2026, the Texas comptroller's office estimated that sales tax exemptions for the data center industry will cost the state \$3.2 billion over the next two years, a figure which may in fact prove an underestimate as the number of data centers in the state continues to grow.¹⁰⁵ In Virginia, the first state to offer a tax incentive program for data centers back in 2008,¹⁰⁶ the government estimated at the time that the program would cost the state about \$1.5 million in revenue each year. In FY2025, the tax exemption cost the state more than \$1.9 billion.¹⁰⁷

In Virginia, the \$1.9 billion in state tax incentives for the data center industry in FY25 cost local counties more than \$300 million in revenue¹⁰⁸ since state sales and use tax breaks typically preempt local sales tax authority.¹⁰⁹ While industry trade groups have argued that local governments across Northern Virginia—in which the majority of data centers are located¹¹⁰—generated an estimated \$1.3 billion in data center property taxes in 2024,¹¹¹ the industry received just over \$1 billion from the state sales and use tax exemption that same year.¹¹² Moreover, counties in Southern Virginia, most of which have few or no data centers,¹¹³ not only receive less revenue from the state as a result of

the sales tax breaks, but also receive little to no property tax revenue from these projects.

As the size and scope of state tax incentive programs for data centers has ballooned far beyond what state lawmakers anticipated,¹¹⁴ a growing number of states are pushing back on the data center industry and pausing or repealing these tax breaks. As North Carolina Governor Stein put it when proposing to roll back the state's sales tax exemption for data centers, "we lived in an entirely different world [when the tax break was first passed in 2006] ... [a]t that time, no one could have anticipated the explosive growth of data centers and how much energy they consumed."¹¹⁵ As of April 2026, 28 of the 38 states that offered some form of tax exemption to the data center industry have introduced legislation to roll back some or all of the incentives as the data increasingly shows that data centers are costing more than the benefits they bring.¹¹⁶ Governors have taken direct action to pause or eliminate tax incentives in several other states, including Arizona,¹¹⁷ Massachusetts,¹¹⁸ Illinois,¹¹⁹ Ohio,¹²⁰ Nebraska,¹²¹ and New Jersey.¹²² Other states are revising tax incentive programs to encourage data centers to be better partners to their communities, such as through the use of renewable energy sources.¹²³

a. Enormous state tax breaks swamp the amount of state and local revenue created by data centers.

In their communications with Congressional staff, the companies repeatedly touted property taxes paid by their data center facilities to municipal and local governments. Microsoft pointed to the "substantial local property tax revenue [generated by data centers] that serve[s] as a catalyst for

enhancing the quality of life in communities.”¹²⁴ Amazon likewise noted that in Virginia, “Amazon facilities contributed \$542.9 million in property taxes in 2024.”¹²⁵ In interviews with congressional staff, multiple data center companies specifically referenced Loudoun County, VA as an illustration of the financial benefits data centers can bring to the communities in which they are located.

However, these financial benefits may be overstated for multiple reasons. First, some counties in the U.S. offer local property tax incentives on top of statewide tax incentive packages. While Loudoun County—the example referenced repeatedly by the companies—does not offer local property tax abatements to data centers,¹²⁶ many counties across the country do offer such incentives to data centers,¹²⁷ either through formal state or local programs in which local governments decide which requests to approve,¹²⁸ or through individual negotiations between data center companies and county governments.¹²⁹

Moreover, while some local governments may receive tax revenue from data center projects, any assessment of these fiscal benefits must take into account losses in state revenue. In written follow-up with Congressional staff, Microsoft’s stated rationale for continuing to participate in sales tax exemptions despite committing to no longer seeking local property tax incentives is that state incentives “represent state-level policy choices by legislators.”¹³⁰ As described above, however, the value of these state tax exemptions have ballooned far beyond what state lawmakers originally anticipated.¹³¹

b. Data center companies are aggressively lobbying to protect and obtain data center tax breaks.

The data center companies often attempted to downplay tax incentives as a factor in facility siting or dodged questions on financial incentive packages altogether, but public reports and other information indicate that they are critical for siting decisions - and costly for local communities.

While the Senators’ initial inquiry asked the companies to report tax deductions and other financial incentives that their company has received from state and local governments,¹³² most responses studiously avoided acknowledging data center tax incentives they have accepted. Google’s letter referenced only tax incentives offered by local governments “to reduce real estate and personal property taxes for a set period of time” and did not acknowledge financial incentives offered at the state level.¹³³ Meta and CoreWeave did not mention taxes in their responses at all.¹³⁴ Microsoft and Amazon also did not address state or local tax breaks in their initial responses, opting instead to plug the local property tax revenue generated by their data centers.¹³⁵

Digital Realty was the only company to acknowledge state tax incentives for data centers in their initial response to the Senators’ initial inquiry, writing that “[m]any states across the country provide incentive programs to attract data center investment and development,” which “may include real estate tax exemptions and customers’ sales tax exemptions on purchases of qualified equipment,” and that Digital Realty may “engage with state and local governments” to reach an agreement around “mutually beneficial economic development packages.”¹³⁶

When pressed by Congressional staff, the companies continued to downplay the importance of tax incentives to their data center buildout. In their letter responses and subsequent interviews with congressional staff, when asked what factors their company takes into consideration when selecting a location for a future data center, no company representative mentioned tax incentives in their initial response, instead pointing to factors such as the availability of power and water infrastructure, availability of land (including real estate zoning), cost of power and land, availability of skilled workforces, and community interest. Several companies framed tax incentives as one of a variety of factors they take into account. Microsoft stated that it “weighs a long list of factors when

deciding where to build a new data center,”¹³⁷ and Equinix listed “location, customer demand, power availability, community sentiment, proximity and density of fiber lines, and local environmental considerations” as factors that “weigh more heavily in our site selection process than tax incentives.”¹³⁸ Microsoft did go on to acknowledge that “[g]iven the huge capital investments required to develop a major facility, state tax policy and the resulting tax burden are key factors that influence that total cost – and therefore play a major role in determining where datacenter developers, operators, and tenants choose to locate.”¹³⁹

In practice, however, the data center industry has heavily lobbied states considering curtailing or outright repealing tax incentives for the industry¹⁴⁰ and has threatened to leave states which repeal these incentive programs.¹⁴¹ As Data Center Coalition president and CEO Josh Levi put it, “[w]e’ve shown up everywhere.”¹⁴² In response to local debate in Texas regarding the state’s data center tax break, a representative of the Data Center Coalition described the prospect of a repeal as sending a “hostile message” that would “give a lot of different companies pause about what the state of being able to invest in Texas for the long term is.”¹⁴³ In Louisiana, Meta reportedly told the utility company and state and local officials that they would not consider Louisiana without a sales tax exemption on equipment.¹⁴⁴ When the Indiana State Senate passed legislation that would have required data centers to contribute 1 percent of their savings from “their sales tax exemptions from equipment and electricity to the local governments hosting the projects,” the data center industry lobbied to get the provision watered down: the final text eliminated the contribution requirements for equipment.¹⁴⁵

All data center companies surveyed except Microsoft—which carved out a narrow exemption for property tax breaks as described below—seek any and all tax incentives available to them,¹⁴⁶ often characterizing this as “standard practice,” a “standard part of competitive site selection efforts,”¹⁴⁷ or another such variation

in communications with Congressional staff. Some data centers acknowledged they not only actively sought out existing tax breaks but would potentially request new incentives.¹⁴⁸ While Amazon touted the local property tax revenue obtained from its facilities in its initial response,¹⁴⁹ the company reportedly requested and received up to 90 percent in property tax rebates for 30 years from one Texas county.¹⁵⁰ In Sidney, Ohio, a town with an annual budget of around \$70 million,¹⁵¹ Amazon will receive property tax abatements estimated to be worth between \$180 and \$350 million for its data centers over the next few decades.¹⁵²

Comparatively smaller data center companies with fewer financial resources than Big Tech framed the choice to continue seeking tax breaks as necessary to remain competitive with their more well-resourced counterparts in a highly capital-intensive industry. But even the significantly more well-resourced hyperscalers continue to aggressively seek tax incentives and other financial benefits, with one attorney involved in negotiating tax exemptions with Meta and Amazon describing the companies as “looking to exempt as much of [the costs] as absolutely possible.”¹⁵³

While Microsoft pledged in January that it will no longer seek property tax breaks and will “pay our full and fair share of local property taxes,”¹⁵⁴ this policy applies only to future data center facilities, not to existing facilities or facilities already under construction.¹⁵⁵ And it does not apply to tax exemptions on chips and other equipment - the most lucrative exemptions.¹⁵⁶

c. Data centers identified sales tax breaks on chips and other equipment as the most lucrative tax incentives.

A typical AI data center contains thousands of graphics processing units (GPUs), the chips needed to train and operate frontier AI systems. These chips are by far the largest cost for data center operators: GPUs are estimated to make up 39 percent of spending on the average 1 gigawatt (GW) AI data center, more than the cost of the land, buildings, power distribution, and backup power sources combined.¹⁵⁷ And this equipment must be replaced every few years due to both physical wear and technological obsolescence.¹⁵⁸

In an interview with congressional staff, one Big Tech firm pointed to the need to replace chips every three to six years as the primary driver of why sales tax breaks are economically important to their data center business. In written follow-up correspondence with staff, Equinix likewise acknowledged tax breaks for the chips inside the data center as by far the most financially beneficial for industry, writing that sales taxes “for building materials and building systems ... pale in comparison to the value of the GPUs and other compute related equipment which fill these facilities.”¹⁵⁹ A report from Virginia’s Joint Legislative Audit and Review Commission further noted that the state’s data center sales tax incentive is Virginia’s largest state tax incentive in part due to the “substantial” costs of the initial purchase and regular replacement of exempt equipment.¹⁶⁰

In discussions with congressional staff, one of the companies surveyed characterized sales tax incentives as an important factor for its hyperscaler customers. Pressure from their customers motivates colocation data centers—which primarily rent space to other enterprise customers—to build in states offering attractive tax incentive programs. The company elaborated that since all computer and networking equipment is independently purchased and brought to the facility by its customers, Big Tech will ask if the

data center provider is participating in a state tax break program to ensure that the hyperscalers are able to obtain a reduced or eliminated sales tax rate on their equipment.

This finding has important implications for the data centers’ promises regarding state and local tax breaks. For instance, Microsoft’s pledge to no longer seek tax breaks on data center property is less meaningful than it may initially appear. In written follow-up correspondence, Microsoft confirmed that it will continue to seek and accept state sales tax exemptions for chips and other equipment used in its data centers, exemptions which have a far greater impact on Microsoft’s bottom line and the amount of tax revenue states may forgo.¹⁶¹

2. Data centers do not appear to create a significant number of permanent jobs and other economic benefits for states and local communities.

The data center industry touts job creation as one of the most significant economic development benefits of data center projects. While the industry takes credit for the creation of many short-term construction jobs, data centers were unable or unwilling to provide firm estimates or data on the numbers of long-term, full-time jobs created. For instance, in its initial letter response, Microsoft stated that the construction of its data centers “creates thousands of jobs for those in the building trades,” while operational data centers create “hundreds” of full-time jobs.¹⁶² Meta cited data center construction and retrofitting as employing “tens of thousands of skilled trades people,” with operational data centers employing “thousands” of workers.¹⁶³ Digital Realty cited only construction jobs when explaining the positive job impacts of data centers, saying “[w]hen we commence construction on a data center, there is an increase in demand for high-paying construction jobs.”¹⁶⁴ Google declined to disclose the number of permanent jobs created at data center facilities receiving tax incentives when pressed by staff, instead highlighting that “a Google data center is estimated to employ approximately 4,200 construction workers/year during the initial buildout.”¹⁶⁵ While these construction jobs can provide valuable employment with strong benefits, they are inherently short-term and may not provide sustainable sources of employment for either individual workers or the surrounding community.¹⁶⁶

While the data centers uniformly declined to give hard numbers on the number of full-time jobs created at specific facilities, in interviews with Congressional staff, several companies estimated the number of full-time jobs roughly averages out to one job per MW of power demand, with a linear relationship between the peak load of the data center and the number of long-term jobs created. A 100 MW data center using as much electricity as 100,000 households,¹⁶⁷ then, would be projected to support around 100 full-time jobs once construction is complete.

Weighing the number of full-time jobs created at these facilities against the tax benefits provided, however, paints a complicated picture. While Amazon touted the 7,400 jobs it has created in Oregon in its letter response to the Senators,¹⁶⁸ the company has reportedly saved as much as \$3 billion in taxes on equipment purchases since Oregon does not have a state sales tax,¹⁶⁹ and received property tax exemptions of roughly \$1 billion in 2023.¹⁷⁰ A report by Virginia’s Department of Taxation found that in FY2025, the data center industry added 1,610 jobs and received \$1.9 billion in tax benefits,¹⁷¹ rounding out to roughly \$1.2 million per job. In Louisiana, Meta received tax breaks worth as much as \$10 billion for its Hyperion data center, a facility estimated to create 1,000 permanent jobs,¹⁷² for a rate of \$10 million per job. In written follow-up correspondence regarding tax incentives accepted, Microsoft stated simply that it “complies with all job creation requirements stipulated under the relevant tax incentive statutes.”¹⁷³





CONCLUSION

The data center industry comprises many of the wealthiest firms in the country. But this investigation finds that the industry receives enormous handouts while making questionable claims about paying its fair share of electricity costs, using NDAs to keep communities in the dark, and failing to provide clear evidence of permanent jobs or economic development benefits where data centers are built.

The seven companies surveyed in this inquiry publicly pledged to pay their fair share while they privately pursue tax subsidies from state and local governments and oppose utility cost allocation schemes requiring them to take on a larger share of the costs, instead seeking to shift expenses onto residential customers. And while the four trillion-dollar Big Tech companies demand billions of dollars in tax incentives from the public, these same companies deploy non-disclosure agreements as part of an intentional strategy to limit community participation and obscure the facts about any negative impacts on local communities. In sum, this investigation finds the data center industry is bulldozing local communities and using their economic resources to play states and local communities against one another, creating a race to the bottom in which state and local policymakers feel they have no choice but to accede to the data centers' demands - and leaving ordinary citizens stuck with the bills.

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