



February 9, 2022

To: Senate Taxation Committee, South Dakota Legislature  
Re: SB 157, Creation of a Data Center Sales & Use Tax Exemption Program

Chair Johns, Vice-Chair Symens, and Members of the Committee:

I am writing on behalf of the Data Center Coalition (DCC), a national trade association representing some of the world's leading colocation and enterprise data center owners and operators, in strong support of SB 157 to create a data center sales and use tax exemption program in South Dakota. We strongly support amending the sunset provision in the legislation to enable the program to last at least 20-years to ensure the program is competitive and provides the long-term business certainty the data center industry requires.

Data centers are the backbone of the modern economy. Companies of all sizes with any digital presence need data centers, and the industry is growing rapidly. Businesses are investing tens of billions of dollars in capital in new data center facilities across the country to meet unprecedented demand for digital services that are central to our lives, including telehealth, video conferencing, e-commerce, government services, and entertainment.<sup>1</sup>

While South Dakota is known for its business-friendly tax policy climate, the lack of a long-term data center sales and use tax exemption on equipment purchases is one of the largest impediments to data center investment because of the unique, large-scale equipment needs of this capital-intensive industry. To that end:

- A 2019 Virginia legislative report studying that state's data center exemption found that 90 percent of data center investment in Virginia would have occurred in *other* states but for the exemption.<sup>2</sup>
- Growing data center markets in Georgia and Illinois can link the beginning of tremendous data center capital investment to the start of their statutory data center programs.<sup>3</sup>
- More than 30 states have data center sales and use tax exemptions, including most of the Plains, Rocky Mountain, and Mid-west states (ID, MT, WY, UT, ND, NE, MN, IA, MO, IL, IN, OH). Nearly 25 states offer an exemption that lasts more than 20-years or is permanent.

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<sup>1</sup> Data Center Knowledge, *Synergy Says Number of Hyperscale Data Centers Doubled Since 2015*, Jan. 26, 2021.

<sup>2</sup> Virginia Joint Legislative Audit and Review Commission, *Data Center and Manufacturing Incentives*, June 2019.

<sup>3</sup> Source: *The Impact of Data Centers on the Georgia Economy*, Mangum Economics, December 2021.

The economic impact, jobs, and business opportunities for South Dakota are notable. According to a 2017 U.S. Chamber of Commerce report, the construction of typical data center employs 1,688 local workers, provides \$77.7 million in wages, produces \$243.5 million in output along the local economy's supply chain, and generates \$9.9 million in local and state tax revenue. Every year thereafter, that same data center supports 157 local jobs paying \$7.8 million in wages and injecting \$32.5 million into the local economy.<sup>4</sup>

We encourage your support of an amended SB 157 to extend the sunset to enable at least a 20-year benefit period. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Josh Levi".

Josh Levi  
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<sup>4</sup> US Chamber of Commerce, *Data Centers: Jobs and Opportunities in Communities Nationwide*, 2017.