



117 South First Street • Montevideo, MN 56265

February 27, 2025

Chair Davids
House Taxes
Re: H.F. 1277

Chair Davids and Committee Members,

CURE is a rurally based, non-profit organization dedicated to protecting and restoring resilient towns and landscapes by harnessing the power of the people who care about them. We appreciate the opportunity to testify in opposition to H.F. 1277 today.

Under existing law, qualifying data centers can claim a sale tax exemption for their purchase of certain equipment, software, and electricity. The usual state sales tax applies at the time of purchase, but qualifying data centers can then be refunded for those purchases by the Department of Revenue—if the data center “shows their work,” and the Commissioner of Employment and Economic Development certifies that the data center meets the requirements under the law. Over the last few years, the state has forgone more than \$100 million in tax revenue annually from such exemptions.

Under H.F. 1277, the largest data centers—hyperscalers—would no longer be required to show their work, because the sales tax exemption would apply up front, at the time of purchase. Instead, the data centers would themselves certify that they *will* meet the requirements for the exemption, and any verification by the Commissioner of Employment and Economic Development and Commissioner of Revenue about compliance occurs *before* any purchase is made. This kind of system eliminates transparency about the total cost to Minnesota taxpayers and seems counterproductive to efforts being made by this legislature and the administration to combat waste, fraud, and abuse.

It’s important to remember that without this bill, data centers will still be able to receive the benefits of a generous sales tax exemption, still be able to do business in Minnesota, and still be able to deliver on their promises of high-paying, union jobs and economic development—they’ll just need to continue showing their work. This is not an unreasonable expectation for an industry that stands to make some of the wealthiest companies on the planet even wealthier while asking Minnesota to provide ongoing access to significant amounts of land, electricity, and water.

/s/ Sarah Mooradian

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