



Feb. 27, 2025

Representative Greg Davids
Second Floor, Centennial Office Building
St. Paul, MN 55155

Chair Davids and House Taxes Committee Members:

We Make Minnesota is a coalition of labor and community groups united to support a fair tax code and a budget sufficient to meet the state's public investment needs. Our members include the educators, nurses, and public sector workers who keep Minnesota running, as well as families and faith communities across the state who depend on a wide range of state and local services to live safe, healthy, and dignified lives.

The undersigned organizations are writing to state our opposition to HF 1277, which would extend the state's sales tax exemptions for qualified data centers, and convert the program from a rebate to an upfront exemption. HF 1277 will make our tax code less transparent and extend a costly taxpayer-funded giveaway to some of the largest technology firms in the world. With state budget challenges looming and corporate profits near their all-time high, we would like to see limitations and greater oversight on such tax breaks, not their broad expansion.

We appreciate the desire to attract economic activity and create good-paying jobs in Minnesota. But with the most generous data center incentives in the region already, this policy would reduce transparency and place unseen pressure on the general fund for an uncertain return. We would appreciate your consideration of the following concerns:

Growing Cost: From an estimated \$4.7 million in 2018 to over \$230 million during the 2026-27 biennium, the sales tax exemption for qualified data centers has already grown more than 20-fold since its inception. This is a threat to the state's long-term budgetary stability.

Large as it is already, the cost could rise considerably in coming years: An independent study by the Electric Power Research Group forecasts that data centers in Minnesota could consume energy at as much as three times their current rate by 2030.¹ Assuming a rough correlation between megawatts consumed and cost, Minnesota's sales tax exemption could easily triple to more than \$750 million by the 2030-31 biennium. And even this could prove an underestimate — in Virginia, a similar data center sales tax exemption increased from \$120 million per year to over \$700 million as many large data centers opened or began construction.² A tax break of this size greatly weakens the state's ability to fund its current and needed obligations and will shift future tax burdens onto Minnesota families.

¹ [Analyzing AI and Data Center Energy Consumption](#). Electric Power Research Institute, Inc.

² [Virginia Data Center Subsidy](#). Good Jobs First.



Lack of Transparency: Qualified taxpayers pay full sales tax on their eligible purchases and submit expenses for a refund. This serves as an important check on the program's proper functioning and guarantees lawmakers and the general public a credible estimate of the cost of the total expenditure. Although this arrangement does not address budgetary challenges, it provides a bare minimum of transparency. Converting the exemption to an upfront arrangement will mean considerably less transparency and opportunity for auditing. This is a deeply concerning component of the changes included in HF 1277.

Uncovered Costs: The loss of general fund revenue is made worse by the implied public costs that accompany new data center facilities. Data centers consume an enormous amount of energy, which will be pulled from a power grid that is funded by Minnesota taxpayers and utility ratepayers. They also consume large quantities of water, with the potential for harmful long-term impacts that will require either increased water treatment capacity, public health interventions, or both. Capturing tax revenue from economic activity is how the state maintains needed investments in strong infrastructure and a healthy environment to sustain growth. This policy sacrifices long-term stability for short-term gain.

In closing, we appreciate the desire to stimulate economic activity and create jobs for Minnesotans. However, we reject the premise that taxpayers should fund or supplement the profit-generating activities of the largest and most profitable corporations in the world. Data centers are already coming to Minnesota for our amenable climate, strong grid, capable workforce, and commitment to environmental sustainability. Expending taxpayer dollars while loosening oversight hurts our ability to maintain these important socioeconomic foundations.

Sincerely,

Eric Harris Bernstein, Coalition Director, We Make Minnesota
Ethan Vogel, Legislative Director, AFSCME Council 5
Jo Musel Parr, Organizing and Field Services Director, AFSCME Council 65
Kathleen Micheletti, Director of Public Affairs, Education Minnesota
Jonathan Bohn, Director of Government Affairs, Inter Faculty Organization
Lars Negstad, Policy Director, ISAIAH
Devin Bruce, Director of Legislative and Political Affairs, MAPE
Greg Nammacher, President, SEIU Local 26
Rick Varco, Legislative Director, SEIU Healthcare Minnesota and Iowa
Brian Elliot, Executive Director, SEIU State Council