

NetChoice *Promoting Convenience, Choice, and Commerce on The Net*

Carl Szabo, Vice President and General Counsel
1401 K St NW, Suite 502
Washington, DC 20005
202-420-7485
www.netchoice.org



March 7, 2019

Sen. Nancy King, Chair
Senate Budget and Taxation
Maryland Senate

RE: **Support with Amendments for SB 850 – Qualified Computer Technology**

Dear Chair King and members of the Committee:

We support with amendments SB 850 as it will bring data center jobs and economic opportunity to Maryland.

Today data centers around the country, and next-door in Virginia, are generating massive investments and creating quality high-tech jobs. But when choosing a location for their next data center, businesses are not deciding *if* they are going to build, but *where*. This means choosing between bringing these economic opportunities to Maryland or going to another state.

When other states offer a more appropriate tax environment, Maryland will find itself watching as these data centers are announced in other places.

Across the Potomac river in Virginia, Loudoun County created an appropriate tax environment by offering exemptions on sales taxes for qualified computer technology for up to 20 years.

Via an amendment below, we strongly suggest that Maryland increase the term of tax exemptions from 10 to 20 years, to more closely fit the actual term over which data center owners make significant investments in expanding and upgrading their equipment.

The proposed amendment below suggests that the 20 year exemption opportunity be available only for businesses that make an investment of **\$250 million** in Maryland – *a 50-fold increase over the \$5 million investment requirement already in SB 850*.

We also suggest an amendment to address sales and use tax on energy consumption, since energy costs are 80% of annual operating expenses for data centers.

Currently, there is no sales tax exemption for energy in SB 850. In 1999 Maryland imposed a Special Use Tax on any business energy purchase, equal to 6.2 cents per KWH. Moreover, 11-102 allows any “county, municipal corporation, special taxing district, or other political subdivision” to impose sales & use tax on utility consumption.

To make Maryland competitive for data centers, we propose the following amendment language:

(F) FOR A QUALIFIED DATA CENTER THAT HAS INVESTED AT LEAST \$250,000,000 IN IMPROVEMENTS, AN EXEMPTION CERTIFICATE ISSUED BY THE COMPTROLLER UNDER THIS SECTION MAY BE RENEWED FOR UP TO 20 CONSECUTIVE YEARS AND SHALL INCLUDE AN EXEMPTION FROM STATE AND LOCAL SALES AND USE TAX ON ELECTRICITY PURCHASED AND CONSUMED BY THE QUALIFIED DATA CENTER.

This amendment will also bring Maryland in-line with competing states working to create appropriate tax environments for data centers.

We ask that you make Maryland competitive, and adopt with amendments SB 850.

Sincerely,

Carl Szabo

Vice President and General Counsel,

NetChoice

NetChoice is a trade association of e-Commerce and online businesses. www.netchoice.org

The views of NetChoice do not necessarily represent the views of its members.