

**Nebraska LB 209 - tax exemptions relating to data centers**

**SUPPORTING  
TESTIMONY**

March 1, 2023

Nebraska Legislature  
Revenue Committee

Subject: Support for [LB 209](#) *Provide tax exemptions relating to data centers* (as amended)

Dear Chair Linehan and members of the Committee:

NetChoice has helped to advocate for tax exemptions in several states wanting to attract hyperscale data centers to promote high-tech economic development. Nebraska's situation is unique, since your previous Advantage incentive was already successful in attracting a handful of large data centers to the Omaha area.

In order to measure the benefits of these existing data centers, NetChoice commissioned a study by Mangum Economics, [The Impact of Data Centers on the Nebraska Economy](#), assessing economic benefits from Advantage-era data centers. We briefed this committee on that report last October while testifying on Senator Bostar's LR 418. For those new committee members I will briefly point out the highlights of that study, which include:

- \$1.3 billion in economic output generated by direct investment
- \$17.8 million in state taxes in 2021 alone
- \$18 million in local taxes in 2021 alone
- Nearly 500 full-time employees working in those data centers

However, other states have been busy updating their tax treatment of data centers, and Nebraska is no longer competitive when it comes to locating a new billion-dollar data center - even with your low power rates and exceptional people.

What's more, Nebraska's ImagiNE program is inadequate to attract new data centers, because of how ImagiNE is structured. A data center that begins construction today under ImagiNE would meet the investment threshold almost immediately, starting the expiration clock on on sales tax exemptions. But data center servers are installed after construction and then replaced every 3-5 years. So Nebraska data centers benefit from only two replacement cycles, unlike data centers who are locating in states with

longer—or even permanent—exemptions. ImagiNE just doesn't provide long-term tax treatment that is adequate to attract billion dollar data center investments.

That's why we are here today – to encourage you to adopt a new tax policy that will put Nebraska at the top of the list versus competing states. As amended, [LB 209](#) creates a permanent sales tax exemption on data center equipment – the same treatment Nebraska has long given to other industries for equipment that is essential to running their businesses.

The amendments that Senator Bostar introduced today remove exemptions for property taxes and sales tax on electricity, in order to address concerns from city and county governments in areas where data centers already exist. Understandably, those localities want to protect and provide a municipal revenue stream.

The amended LB 209 retains only a sales and use tax exemption on data center equipment. That will give large data centers a reliable long-term sales tax exemption on their business inputs: data servers, power systems, and cooling equipment. With this amendment, Nebraska would be treating data centers like it treats other businesses – granting a sales and use tax exemption for the equipment they are using in their business. In our experience, that sales tax exemption will be enough to make Nebraska competitive with states like Iowa, Ohio, Virginia, and Idaho.

With LB 209 in place, Nebraska can compete with other states for billion-dollar data center investments. [PPI's Investment Heroes of 2022 report](#) shows *Information and Data Processing* as the top growth sector for US capital investment, increasing by 720% from 2007. In fact, 4 of the top 6 capital investment companies build data centers (Amazon, Alphabet, Meta, and Microsoft), totaling \$94 billion in 2022 alone.

We know that our members already located in Nebraska have enjoyed their partnerships here, and we look forward to continuing to build on that success.

Thank you, and I am happy to answer any questions.

Sincerely,



Steve DelBianco  
President & CEO, NetChoice

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