

No community in the United States has completely eliminated residential property taxes due to a data center. While politicians and developers frequently promise that massive server farms will generate enough local revenue to offset or erase property tax burdens, local audits and policy reviews confirm this has not materialized anywhere in practice.

Georgia heavily incentivizes the data center industry through a robust sales and use tax exemption for qualifying computer equipment and construction materials. To secure these lucrative tax breaks, operators must meet strict minimum investment and job creation thresholds that scale based on the specific county's population.

- **The Reality of "Tax-Free" Promises:** Claims that data centers will entirely fund municipal budgets or eliminate homestead taxes typically emerge in the early lobbying and proposal stages of a project. However, as facilities are built, these promises fall flat because massive data center investments often come paired with heavy tax abatements, lowering local government revenue.
- **Who Actually Benefits:** Subsidies—such as indefinite sales tax exemptions on hardware and property tax abatements—often mean that tech giants pay far less to local jurisdictions than standard commercial entities.
- **Ripple Effects on Residents:** Instead of seeing their property taxes erased, communities hosting high concentrations of data centers (such as those in Georgia and parts of) frequently end up dealing with increased strains on local water and energy grids, which can actually raise resident utility bills.

Key Tax Structure & Exemptions

- **Sales & Use Tax Exemption:** Qualifying "high-technology data center equipment" and building materials are entirely exempt from state and local sales and use taxes.
- **Validity Period:** Enacted originally in 2018 under O.C.G.A. § 48-8-3(68.1) and later extended, this program guarantees exemptions that encourage major hyperscale and co-located projects to build in the state.

- **Property Taxes:** While the state sales tax exemption is highly standardized, local property taxes (which fund county operations and school districts) are subject to negotiation. Operators can work directly with local development authorities for potential property tax abatements, although these vary heavily by municipality

Reality

- Georgia is expected to lose \$2.5 billion to data center sales tax exemptions in fiscal year 2026, according to the state's **just-updated fiscal projections.**

- That's **664% higher than state's previous estimate of \$327 million**, a reflection of the speed at which the industry is extracting public money from communities across the country.

- “States must stop creating new incentive programs for data centers, and pause existing programs like this one in Georgia, where it is draining billions from other programs and services,” said Kasia Tarczynska, senior research analyst with Good Jobs First. “It is unconscionable that some of the world’s most profitable companies are taking so much from neighborhoods and families.”

- Companies led by some of the world’s richest men, including Jeff Bezos’ Amazon, Meta’s Mark Zuckerberg and Elon Musk’s xAI, are some of the biggest recipients of data center tax breaks.

- Other states are experiencing huge revenue losses from those subsidies too. Virginia, for example, **lost \$1.6 billion** in FY 2025. Those revenue losses are born not only by state governments, but also by localities that host data centers. In Georgia, \$1.1 billion of the \$2.5 billion tax revenue loss was to local sales tax exemptions.

- These costs don't include possible power rate hikes for residents, who in many places are expected to help Big Tech access the tremendous energy use required by their facilities. The \$2.5 billion also does not include any costs of additional *property* tax breaks that data centers are getting from localities.

How this compares

- The \$2.5 billion data center subsidy enjoyed by a select group is significantly more than the **\$538 million** the Technical College System of Georgia received for workforce development and continuing adult education—proven economic development tools.
- It is **substantially more** than the state's Labor Department FY 2026 budget of \$8.9 million (state leaders declined to give a requested increase to modernize the state's unemployment insurance system). It is also significantly more than the FY 2026 budget of \$1.1 billion allocated to the Department of Human Services, which provides services including for the elderly and vulnerable children.

- Incredibly, the data center sales tax breaks are expected to be even higher in 2027, at nearly \$3 billion, according to the state's projections.

Environmental Concerns

- Water consumption: Data centers require massive volumes of water for cooling — stressing Georgia's water supply, especially during droughts or for communities already facing scarcity.
- Energy demand: The state's grid faces higher strain as data centers use vast amounts of electricity, often offsetting progress on renewable energy goals.

- **Carbon footprint:** Even with claims of “green” operations, many facilities still rely on fossil-fuel power, contributing to local air pollution and greenhouse gas emissions.

Economic and Equity Issues

- **Low job creation:** Despite huge tax incentives, data centers create relatively few permanent jobs compared to manufacturing or tech development sectors.
- **Tax breaks vs. public benefit:** Local governments grant hundreds of millions in abatements to attract data centers, diverting funds from schools, infrastructure, and public services.
- **Unequal development:** Rural areas or low-income suburbs often bear the environmental and infrastructure costs without sharing in the economic gains.

Community and Infrastructure Impact

- **Noise and land use:** Cooling fans and construction disrupt communities and reduce nearby property values.
- **Urban sprawl:** Large land footprints push suburban development outward, removing forests or farmland.
- **Grid reliability:** Concentrated energy use by data centers can make local infrastructure less resilient and increase electricity costs for residents.

Governance and Transparency

- **Limited oversight:** Many projects are fast-tracked without sufficient public input or environmental review.
- **Corporate secrecy:** Companies often withhold water use, energy consumption, and emissions data from local governments and residents.

Emphasizing these points can support policy arguments for slower approval processes, stricter environmental standards, or local moratoriums on new data center construction until stronger sustainability guarantees are in place.

The burden of increased data center electricity demand is shared across several groups, but who pays — and who feels the impact — depends heavily on **local utility regulation, grid structure, and how the project is negotiated.**

For very large AI campuses, the issue has become politically contentious.

The main parties that bear the burden

1. The data center operator

Companies like:

- Microsoft
- Google
- Amazon
- Meta

typically pay for:

- Their direct power usage
- Interconnection fees
- On-site substations
- Some transmission upgrades
- Backup generation systems

Large campuses may negotiate dedicated utility agreements worth hundreds of millions of dollars.

However, they do not always pay the full system-wide cost their load creates.

2. Utilities

Utilities often fund:

- New transmission lines
- Substation expansions
- Generation procurement
- Grid stabilization infrastructure

They recover those costs over time through:

- Electricity rates

- Infrastructure riders
- Capacity charges

This is where the controversy begins.

3. Residential and commercial ratepayers

In some jurisdictions, ordinary customers may indirectly absorb part of the cost through higher electric bills.

Possible impacts:

- Higher transmission charges
- Higher capacity costs
- Faster infrastructure spending
- Increased peak demand pricing

This is especially debated in regions seeing rapid hyperscale growth.

4. Local governments and taxpayers

Communities sometimes subsidize data centers through:

- Tax abatements
- Discounted land
- Infrastructure incentives
- Utility discounts

The rationale is:

- Economic development
- Construction jobs
- Property tax growth

Critics argue:

- Permanent employment is relatively small
 - Grid and water burdens can outweigh benefits
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5. The environment and surrounding communities

Some costs are externalized rather than directly billed.

Examples:

- Increased fossil generation
- Air pollution
- Water consumption
- Land use impacts
- Noise
- Transmission corridor expansion

Communities near power plants or transmission infrastructure may bear disproportionate impacts.

Who pays in practice?

There is no single answer.

Different utility models produce different outcomes.

Model	Who Bears More Cost
Regulated utility	Often partially socialized across customers
Merchant power market	More direct pricing to large users
Dedicated generation contracts	More burden on operator
Public incentives	More burden on taxpayers
Congested grid regions	Broader regional impacts

Emerging responses

Special tariffs for hyperscalers

Some utilities are creating AI/data-center-specific pricing structures.

Behind-the-meter generation

Some campuses are exploring:

- Dedicated solar
- Battery storage
- Natural gas plants
- Small modular reactors (future possibility)

to reduce grid strain.

Curtailed agreements

Operators may agree to reduce load during emergencies.

Co-location with generation

Future AI campuses may increasingly be built directly near:

- Nuclear plants
- Hydropower
- Large renewable installations

because transmission capacity is becoming a bottleneck.

The core tension

Communities and regulators are increasingly asking:

Should ordinary customers subsidize infrastructure for extremely profitable AI companies?

At the same time, utilities and governments argue:

- AI infrastructure is strategically important
- It drives economic growth
- It attracts investment and tax revenue

That debate is becoming one of the defining infrastructure policy questions of the AI era.

