

Office of the County Auditor
Auditor's Analysis

Council Bill No. 38-2020 - REVISED

Introduced: July 6, 2020
Auditor: Michael A. Martin

Fiscal Impact:

The total fiscal impact cannot be determined. It would be contingent upon data centers moving into the County and applying for this credit, which is an unknown at this time. Provided the tax credit provides incentive for data centers to move to the County, the impact may include annual income, real property, and personal property tax revenue increases.

This proposed tax credit does not have a maximum personal property tax credit limit. Tax credits may be awarded to a data center for a maximum of 15 or 20 years.

Using the Economic Development Authority's (EDA) example of a data center moving into the County, below illustrates the impact on revenue if it invested over \$250 million and received two extensions as the legislation currently allows. The calculation assumes no increase in salaries and assessment value. **The revised table uses an updated assessed value of \$250 per square foot for the building improvement to calculate the Real Property Tax increase. This was provided by EDA and was originally estimated at \$71 per square foot.**

Year	Annual Increase Income Taxes	Annual Increase Real Property Taxes	Annual Increase Personal Property Taxes Collected	Annual Increase in Total Tax Revenues
2020 - 2024	\$240,000	\$432,117	\$0	\$672,117
2025 - 2029	240,000	432,117	887,250	\$1,559,367
2030 - 2034	240,000	432,117	1,774,500	\$2,446,617
2035 - 2039	240,000	432,117	1,774,500	\$2,446,617
2040 - 2044	240,000	432,117	8,872,500	\$9,544,617

In our example above, the proposed personal property tax abatement would be as follows: \$8,872,500 for each of the first five years, \$7,985,250 for the each of the second five years, and \$7,098,000 for the each of the third five years and subsequent five-year renewal.

We did not include EDA's year-one employment assumptions of 1,210 new jobs during the construction phase because we believe they are overstated. The EDA assumes the 1,210 employees would all be County residents for that one year and they would not otherwise be contributing to income tax revenue.

Purpose:

The purpose of this legislation would be to establish a personal property tax exemption for a qualified data center. For more details regarding what defines a “qualified data center,” please see the Legislative Analyst’s write up on this legislation.

There will be two tiers of qualifying data center investments that qualify for this tax abatement. They are as follows:

Qualifying Data Center Projects	Personal Property Tax Exemption: Years 1-5	Personal Property Tax Exemption: Years 6-10	Extension Allowed
≥\$250M investment AND ≥10 jobs created	Up to 100% abatement	Up to 90% abatement	Two 5-year extensions of up to 80% abatement
≥\$50M investment AND ≥5 jobs created	Up to 90% abatement	Up to 80% abatement	One 5-year extension of up to 80% abatement

Other Comments:

Although there are reporting requirements, once this program is approved, the County Executive can approve the applications without County Council authorization.

This program does not have a sunset as stipulated in some of the other tax credit programs.

The EDA confirmed there are ongoing conversations with potential investors and anticipates having up to two qualifying applicants during the legislation’s first year of implementation.

The EDA is projecting an additional economic output of \$229 million associated with the construction of one large data center. They indicate this would translate into an additional \$33.9 million in economic activity in each year of operation thereafter.