

Data Center Tax Considerations

Ryan Hoff

Senior Director of Government
Affairs



If a data center works for your community, it has the potential to be the largest single investment your county has ever seen.

- Especially if coupled with electric generation.

Historically, taxpayers in many counties have benefitted greatly from large, concentrated developments.

- Power plants
- Steel Mills
- Casinos

While there may be comparatively few jobs, the property tax impacts can be enormous.

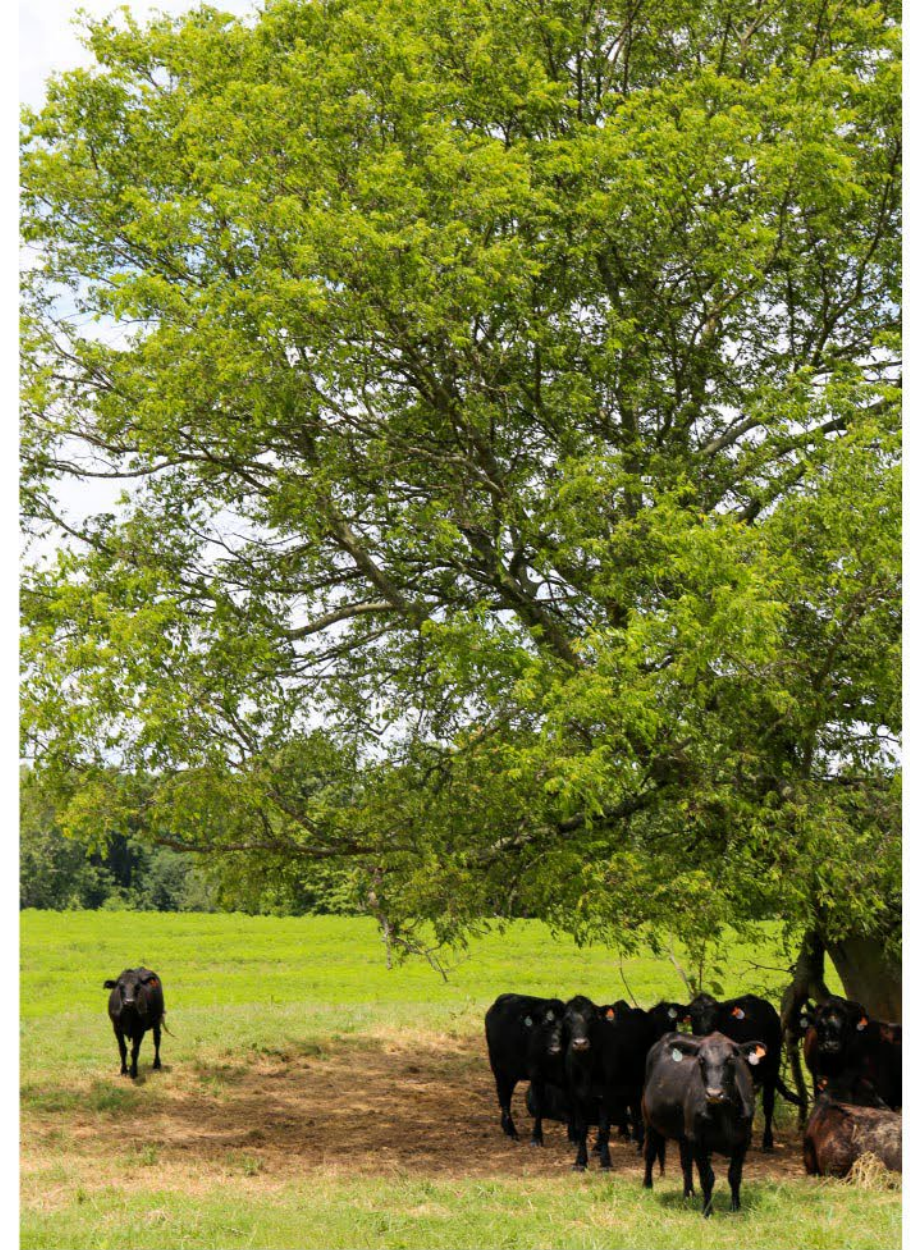
Every data center development is different.



Rural Investment

INFB Policy supports: “Consistent, long term state and local policies that are transparent and promote community and economic growth in rural communities.”

While not all data centers are being proposed for rural areas, keep in mind the unique challenges that rural parts of the state face when competing for other kinds of investment.





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2025 Tax Reform

The 2025 SEA 1 local tax reform will play a major role in your community's tax base going forward.

- New deductions mean a narrowing of the tax base, and a higher rate, up to property tax caps.
- To maintain local government service levels without raising taxes, investment will be necessary.
- All units will see flattened property tax revenue as deductions phase in through 2031.
- Deductions shift burden from 1% and 2% class deductions to 3% cap class properties.



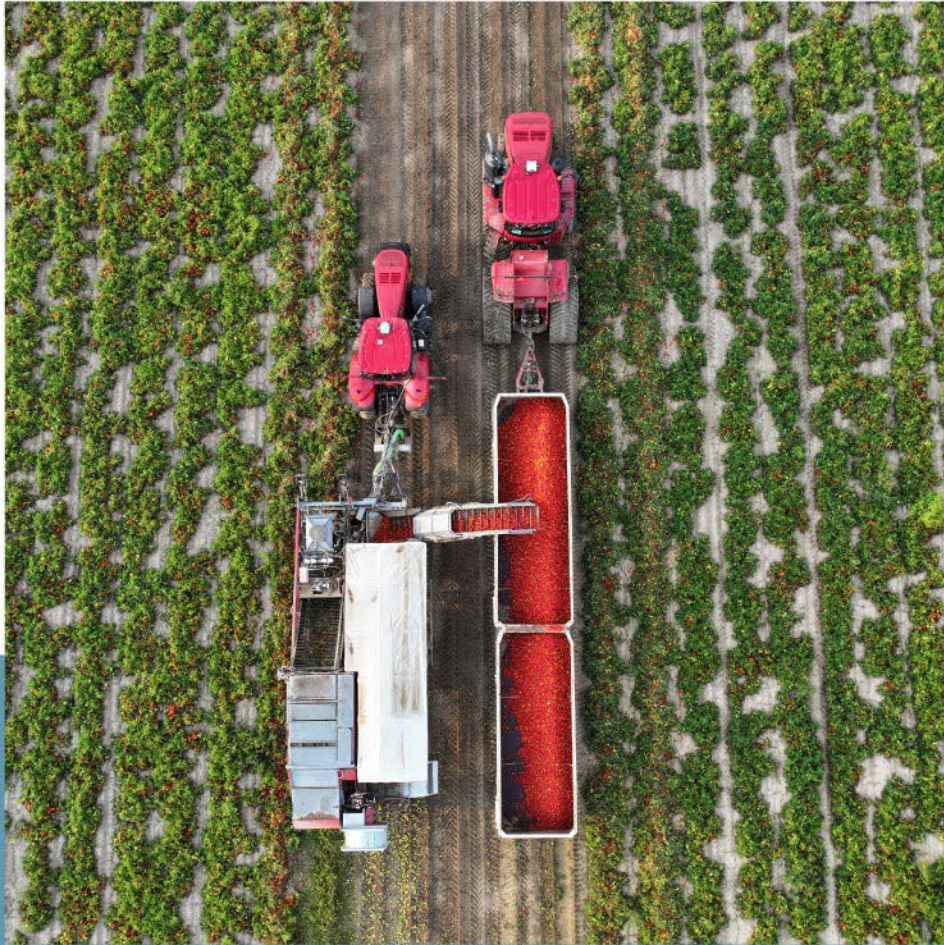
AV Basics:

Keep in mind some of this basic functions of our tax system.

- As Assessed Values in the jurisdiction go up, the rate comes down.
- Does not apply to AV growth in a Tax Increment Finance Area.
- All AV pays the same rate, but subject to different 1%, 2%, 3% tax caps.
- Data center AV (both buildings and BPP) would be 3% tax cap property.



Tax Implications



- A fundamental question: if a data center is approved, how will the investment be treated for tax purposes?
- Answer will have implications for tax bills for other taxpayers in the jurisdiction, as well as funding of governmental services.

Investment Treatments



Abatement of BPP and building AV in exchange for Economic Development Agreement?

- Can be structured for more upfront and immediate payment.
- Community will begin to see the positive impact sooner.
- How can it be used to benefit on tax side rather than just being spent?
 - INFB plans to request ability to spend payments on property tax credits
 - Protects against need to increase taxes in future as services expand (ie. Paying for fire service as volunteer service fades)

Investment Treatments

Payment of all property taxes instead of abatement?

- You don't really need to incentivize the way you do with other economic development.
- Delayed payment because of construction timeline and assessment/billing timeline

If taxes paid, but placed in a TIF, the incremental AV investment flows to the Redevelopment Commission of the jurisdiction rather than to reduce rates.

- If not placed in a TIF, the AV go to the tax base (which lowers tax rates)
- A large enough investment can possibly provide for both by allowing a portion of the AV to flow to the base.



Jurisdictional Implications

- Which jurisdiction is in control of the investment?
- Unincorporated area = county officials decide how investment is treated.
- Within city limits = city officials decide investment structure.
 - Voluntary annexation to win zoning approval would still have to be contiguous.



Local Income Tax

Local Income Tax will only see a slight impact from Data Center development.

- Reminder: local income tax will play a greater role in local government finance after 2028.

There will be permanent management and IT staff employment, but limited in comparison to investment in equipment and buildings.





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State Incentives

In 2019, Indiana adopted state tax incentives for qualifying data centers to waive state sales tax on equipment and electric purchases.

In 2026, the state updated this law to require such qualifying data centers to pay 1% of the savings from the waived sales tax on electricity to the authorizing local jurisdiction.





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Tailor investment to fit your needs.

Each community will have different priorities in how a deal can be structured and which units and/or taxpayers can benefit.

Rural service challenges are seen throughout Indiana.

- Healthcare, Fire/EMS, Schools, Childcare, Road/Bridge infrastructure, Broadband Internet, etc.
- Without new investment how will your community pay for such services now and into the future?

