

# Making Data Centers Pay Their Fair Share Funds Affordability

The SUT exemption was designed to attract data centers to the state, and the data center industry has exploded. Virginia is now home to 35% of the world's hyperscale data centers. With the incredible growth in data centers, the foregone revenue from allowing qualifying data centers to exempt the purchase of their computer equipment has also grown. The exemption doesn't just apply to the start-up costs of a center, but to every time a data center refreshes its equipment. The benefit to the data center industry has gone up to over a billion dollars a year.

At the same time, every day Virginia families are struggling to make ends meet. The Senate budget proposes to eliminate the sales and use tax exemption for data centers, raising over \$1 billion dollars that will go to health care, K-12 education, child care, and more.

## **With new revenues, the Senate is able to:**

- Invest in replacing expired federal ACA subsidies (+\$200 million)
- Provide support for school construction and modernization with Literary Fund money that is freed up by using GF for teacher retirement (+\$222 million)
- Increase the standard deduction (+\$159.4 million)
- Give teachers, state employees, and state-supported local employees a 3% raise (+\$1,135.7 million)
- Fund a public-private cost-sharing program for childcare (+\$50 million)

Last year alone, the sales and use tax exemption for data centers resulted in \$1.6 billion in lost revenue, a 118% increase from the previous year (FY24).

**It's time to put Virginia on a path toward a fairer tax code and invest in affordability.**



Contact: Rodrigo Soto  
Legislative and Campaigns Director  
[rodrigo@thecommonwealthinstitute.org](mailto:rodrigo@thecommonwealthinstitute.org)