

## Tax Incentive Evaluation: Georgia Data Center Sales & Use Tax Exemption

DOAA summary of report prepared by the University of Georgia’s Carl Vinson Institute of Government (Institute)

Georgia’s Data Center Sales & Use Tax Exemption was enacted in 2018 to encourage data centers to locate in Georgia by exempting a portion of construction materials and purchases of computer servers and related equipment from state and local sales and use taxes. To qualify, data centers must meet a minimum threshold level of investment in the facility and create a minimum number of jobs as prescribed by statute.

### PURPOSE

This tax incentive was created to stimulate data processing and storage in Georgia and create high-quality jobs. Along with reducing the taxes paid on building materials and computer equipment, the incentive is designed to encourage the location of data centers in rural counties with populations under 50,000. The incentive has met its purpose of encouraging the location of data centers in the state, though its success regarding placement within the state is mixed.

### IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

The Institute estimated forgone state tax revenue of \$474.2 million in FY 2025. While revenue is forgone for all projects, the Institute determined that 30% of data centers in Georgia could be attributed to the tax exemption (i.e., 70% would exist in the absence of the exemption). Applying this percentage to all data center economic activity, the Institute determined that the credit resulted in 8,505 jobs and \$1.0 billion value added to the state economy due to construction, as well as 1,641 jobs and \$247.0 million in value to the state economy for data center operations. State economic growth was significantly higher than the forgone state revenue.

Economic activity attributed to the credit results in additional state revenue. In FY 2025, state tax revenue from data center construction totaled \$34.6 million, while tax revenues from data center operations totaled \$6.9 million.

In addition to the sales tax exemption, the Institute found that local jurisdictions may offer incentives to encourage data centers to locate in a specific county or city. Based on a review of a small number of data center projects in metro Atlanta, the Institute found that a “representative” complex with three buildings had a value of more than \$2 billion (land, building, equipment). At the average millage rate for these jurisdictions, the tax bill would be \$33.6 million. It found that \$5.9 million would be abated and \$27.8 million collected.

	Employment			Economic Impact			Revenue Impact		
	Jobs	Cost/Job	Labor Income	Output	Value Added	Economic ROI	State Tax Expenditure	State Tax Generated	Fiscal ROI
Construction	8,505	\$42,646	\$626.6M	\$1.87B	\$1.01B	289%	\$474.2M	\$34.6M	4%
Operations	1,641		\$147.8M	\$433.4M	\$247.0M			\$6.9M	

### ANCILLARY IMPACTS

The Institute noted that the rapid growth of data centers could potentially cause short-term strain on Georgia’s electric grid and local water and sewer infrastructure. However, it also noted this growth could result in the creation of new jobs to expand the electric grid and investment to update aging infrastructure.

### OTHER STATES

The Institute found that many other states also offer tax exemptions for qualifying data center projects. However, of the states reviewed, Georgia’s tax exemption was among those that emphasized the creation of “high quality” jobs and had a statutorily defined timeframe for investments.

### OPTIONS TO IMPROVE RETURN ON INVESTMENT

The Institute noted that modifying the items exempted or requiring greater investment in activities with more in-state impact would improve the exemption’s ROI.

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Full report available at: [Tax Incentive Evaluation – Georgia Data Center Sales & Use Tax Exemption](#)