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**Statement of Brad Smoot
Legislative Counsel
NetChoice
Senate Commerce Committee
Regarding 2024 Senate Bill 545
March 20, 2024**

Madam Chair and Members:

I am Brad Smoot appearing today as a proponent of SB 545 on behalf of NetChoice, a nationwide association of the world's leading online businesses, including some of the best-known internet services such as Amazon, X, Goggle, PayPal, Trivago, Yahoo, Aol, etc. We believe that SB 545 offers our state a great business opportunity by incentivizing the investment of billions of private dollars in hyperscale data centers here; not in the thirty-three other states that have already enacted similar incentives.

Your staff has laid out the elements of the bill and Ms. Comstock has detailed the benefits of SB 545 and the ever-growing investment opportunities in data centers on a national basis. I'd like to focus on what the bill is NOT and how it is distinguishable from so many other eco devo and tax bills you all must consider each year.

A quick glance at the 2024 bill Index shows about 57 sales tax exemption bills, some of them duplicates but all but a couple would remove sales taxes for existing sales already taking place in Kansas (diapers, food products, various non-profits, pet shelters, etc.). Meaning that these proposed exemptions actually would reduce the sales tax revenue for the SGF. The two data center bills do not reduce current tax revenues since no data centers currently exist or are being built in Kansas. While many of these other sales tax exemption bills may have merit, they are not the same as SB 545 or the House version, HB 2450, which has already passed the House Committee.

Secondly, unlike numerous other economic development incentives Kansas has or is considering (HPIP, APEX, training income tax credits, refundable tax credits, etc.), SB 545 only has one incentive – a sales tax exemption. Millions in state tax

dollars are NOT required up front for an event or project. Only when millions of private dollars are committed and spent in the state does the sales tax exemption become effective.

For the price of sales taxes that we're not getting now and won't get whether this legislation is enacted or not, the state of Kansas and multiple communities can benefit from the investment of millions, even billions, of private dollars pouring into construction and operation of large high-tech facilities with good paying jobs and countless "multiplier" jobs, resulting in the enormous income, sales and property taxes they generate.

Finally, there has been some interest in the application of the sales tax exemption to electricity as provided in SB 545. Kansas already grants a sales tax exemption for electricity consumed in the manufacturing, production or processing of tangible personal property. Data centers use large quantities of electricity to store data, a use not unlike electricity consumed in production or processing. And data centers generate more in revenue for electric utilities than they cost to serve and because of their unique load requirements, data centers level the impact on the electrical grid. Combined with the recognized benefits of economic development, these characteristics are some of the best ways to stabilize and lower consumer utility rates for all Kansans.

Attached to my testimony is a very simple chart comparing the costs and benefits of SB 545 versus doing nothing. It illustrates that passage of this sales tax exemption only makes common sense. Rather than playing the economic development game with existing tax dollars, this bill allows the state to play with "house money" – using money we won't ever get (sales taxes on data centers) to attract all the benefits (income and property taxes, jobs, etc.) of millions and millions of private dollars invested into Kansas communities.

We encourage the Committee to favorably consider SB 545. Thank you.

Data Center Bill

SB 545 Impact

Pass Bill

Do Nothing

Costs

No up-front state cost	\$0	\$0
No tax credits	\$0	\$0
Forego sales tax	\$0	\$0

Benefits

Compete with other states for economic development	+	0
Property taxes to local governments	+	0
Jobs	+	0
Millions (billions) \$ invested in state	+	0
Multiple locations/community growth	+	0
Multiplier jobs/related taxes \$	+	0
Private funding of broadband expansion	+	0
Positive impact on electricity suppliers and customers	+	0

Benefits - YES Benefits - NO