

Tax Incentives and Data Centers: Warnings From Adams County, Ohio

State and local governments often offer tax breaks and other economic incentives for large development projects, in hope of bringing new jobs and tax revenue. In 2017, states rolled out the red carpet by offering tax breaks and other incentives for the siting of Amazon's East Coast headquarters, HQ2.¹ Yet tax breaks for such projects do not necessarily deliver the promised economic benefits.² Data centers bring in few permanent workers and little local revenue, meaning that government incentives may not pay out. Instead, local residents often end up subsidizing data centers' enormous infrastructure needs while depleting their tax bases.³

Across the U.S. today, cities and small towns continue to lure Big Tech with economic incentives.⁴ Food & Water Watch reviewed documents related to Project Galaxy, a proposed Amazon-owned data center in Adams County, Ohio. The documents — including communications between county officials, Amazon, and a hired law firm — report on proposed tax abatement packages for Project Galaxy. These types of proposals exemplify just how destructive such tax incentives can be to local economies.⁵

Ohio law firm Bricker Graydon has helped data center developers secure local tax incentives.⁶ Presentation slides from Bricker Graydon, shared with economic development officials across several Ohio counties, identify large tax break instruments as incentives to attract data center development.⁷ Officials in Adams County, Ohio have been presented with various tax incentive proposals for Project Galaxy.

Here's a breakdown of what these incentives could mean for local taxpayers:

- A **Community Reinvestment Area (CRA) agreement** provides property tax abatements (reductions) in specific zones that local governments designate to incentivize private investment and property improvements.⁸ One proposal for Adams County would grant Project Galaxy a 15-year, 50 percent property tax abatement.⁹ A second proposal would grant a 30-year, 100 percent tax abatement through a CRA agreement¹⁰ — meaning that the county would collect no property taxes on Project Galaxy buildings for 30 years.
- The 15-year, 50 percent tax abatement proposal also includes a **Tax Increment Financing (TIF) plan**. This would create a "TIF district," likely the area containing and directly surrounding the data center and would separate the county's tax revenue from Project Galaxy into two streams (which would still only add up to the amount abated under the CRA, if passed). The first stream would collect payments on unimproved land within the TIF district — a small percent of total taxes paid by Project Galaxy — and would go to Adams

County's general revenue fund. The second stream would collect incremental payments on property improvements, including the data center buildings and their hundreds of millions of dollars' worth of computer equipment. This much larger second stream would be diverted away from funding general public services and be used specifically for the benefit of development within the TIF district.¹¹ This means that the vast majority of payments collected by Adams County under the proposed TIF would not fund schools, emergency medical services, or other local public services. Instead, this tax revenue would mostly fund the construction of infrastructure improvements to support buildings in the TIF district (the data center property), with any remaining funds directed to the county's general fund.¹² One proposed option for Project Galaxy is a 30-year, 100 percent TIF scenario.^a

- The Project Galaxy proposals could rely on **payment in lieu of taxes (PILOT)** programs. These programs are common for similar projects in Ohio, and would likely be part of the TIF plan or the alternative proposal for a 30-year, 100 percent tax abatement within the CRA agreement, with no TIF plan.¹³ When property taxes are abated, a PILOT program can be constructed to cover the lack of taxes, with payments collected annually as a lump sum. In the case of Scioto County, Ohio, where a data center project received a 15-year, 75 percent abatement, the base PILOT negotiated as part of its CRA agreement was just \$500,000 per year —significantly lower than the taxes that would be collected without an abatement.¹⁴

Adding insult to injury, Amazon developers and Adams County officials have explicitly stated that they are “working behind the scenes” to “get ahead” of any public pushback to the project.¹⁵ In Scioto County, county commissioners approved tax breaks for Tilted Gate LLC, a real estate developer working on developing land for a Google data center, while under non-disclosure agreements.¹⁶ Further, the Scioto County agreement was signed without including economic impact assessments or cost-benefit analyses.¹⁷ These secretive practices are a nod to how unpopular data centers are as they face growing community resistance across the country.

Tax breaks to data centers are a dangerous tool given the limited job creation resulting from their development — especially considering the significant amounts of land, water, electric infrastructure, roads, and other services they require. In Adams County, nearby villages would have to provide fire and emergency medical services to Project Galaxy. Even if Amazon were to purchase new fire trucks for the development, if the project is granted decades' worth of tax breaks, nearby residents may be on the hook for increased operational costs for fire and emergency medical services.

a An important element of the current CRA/TIF structure is that, in general, the school board must approve a TIF structure that exceeds 75 percent or 10 years. As this proposal reads, both of those limits are exceeded. However, the current proposal has a “100 percent school compensation on TIF,” which allows the agreement to circumvent school board approval. While that may look like a good gesture at first, it must be noted that this “100% school compensation” is actually 50 percent compensation due to the CRA agreement that cuts taxes in half in the first place. Further, the general rule is that the affected school board must consent to or approve a CRA exemption that is greater than 50 percent. This means that the current proposal is giving as little as possible to schools while circumventing the school board's consent.

The same is true for road, water, and electric infrastructure improvements and maintenance. For example, Jerome Township, Ohio — home to multiple Amazon data centers — had to collect additional fees for the fire department due to the frequency of inspections at data centers.¹⁸ If not negotiated with data center developers before data center operations begin, these fees could be spread across the township rather than paid for by the data center, increasing the cost of living for nearby residents.

Amazon makes billions every year on artificial intelligence services provided from data centers like Project Galaxy.¹⁹ Adams County should not subsidize these corporate profits. Specifically, Manchester Local School District and departments funding other services in the county — including emergency medical services and water treatment required by data centers — should not be denied property tax revenue while Amazon becomes one of the largest companies in the world.²⁰ Although the allure of massive data centers may appear too good to pass up for officials looking to bring jobs and tax revenue to their counties, data centers are *not* economic development in the local sense and should not be granted tax abatements.

Conclusion

In addition to rising energy costs caused by data center rollout, taxpayers may end up on the hook for years for operational costs — without corresponding tax revenue from the data center — due to these abatements, while creating few jobs to offset these costs. A data center moratorium at the local and state level allows time for local officials to assess all associated impacts of data center development to ensure that it is in the long-term interest of constituents.

Endnotes

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