



Data Centers Without Guardrails Can Cost State and Local Governments Billions and Harm Communities

Data centers, also known as data storage centers, often receive generous tax breaks from state and local governments. However, lack of transparency and concrete evidence of the centers’ benefits has led to significant revenue losses for state budgets.ⁱ This is causing many public officials to reconsider or curtail their data center tax incentive programs.ⁱⁱ Missouri should do the same.

Like most states, Missouri has a tax subsidy program to incentivize the development of data centers in the state. **The Missouri Data Center Sales Tax Exemption Program exempts 100% of state and local sales and use taxes on items purchased and used by data center developers and operators.** The exemption applies to:

- 1) All utilities, telecommunications and internet services, machinery, equipment, and computers used in the data storage facility; and
- 2) All tangible personal property and materials used to construct the facility.ⁱⁱⁱ

Missouri Data Center Sales Tax Exemption Program Guidelines

	New Facility	Facility Expansion
Eligible companies are exempted from paying:	100% of state and local sales and use taxes	100% of state and local sales and use taxes
Maximum Tax Exemption Period:	15 years	10 years
Company must make new “investments” worth at least:^{iv}	\$25 million	\$5 million
Company must create new full-time jobs with average wages at least 150% of the average county wage.^v Minimum number of new jobs:	10 jobs	5 jobs

When Missouri’s program began in 2015, the state estimated it would cost over \$1 million in revenue, including about \$250,000 earmarked for local school districts.^{vi} Additionally, local governments that impose a sales tax would lose an estimated \$970,000 in revenue.^{vii} The state’s estimate assumed only one company would invest no more than \$25 million

dollars in 2018.^{viii} At the time, little was known about the true cost of large, or “hyperscale,” data centers, and no company had yet applied for the program.

Now Missouri has roughly 50 data centers,^{ix} and about 16 more have been proposed.^x

While the exact count, size, and economic cost of these centers is publicly unavailable, at least **10 of 20 states that disclose how much they subsidize data centers report losing over \$100 million a year in subsidies.**^{xi} Among them are Missouri’s neighbors Tennessee, Iowa, and Illinois.^{xii}

Equally troubling, states have repeatedly underestimated the cost of data center subsidy programs. And since the artificial intelligence (AI) boom, costs have skyrocketed.

- Data center sales tax exemptions will cost Georgia \$2.5 billion in fiscal year 2026 – or 664% higher than the state originally projected.^{xiii}
- Virginia’s projected subsidy costs rose from \$81 million to \$1.7 billion. The program accounted for 42% of all economic development spending in FY 2023.^{xiv}
- Illinois and Arizona data center subsidy costs rose 3,600% and 1,200%, respectively, between 2020 and 2024.^{xv}

Stacking Tax Incentives Can Add Up to Huge Revenue Losses for Local Communities

In addition to losing out on the portion of state sales tax revenue that ordinarily goes to school districts and fund services that benefit local communities, county and local governments also lose local sales and use tax revenue to companies who participate in the Missouri Data Center Sales Tax Exemption Program.

Furthermore, many data center developments also qualify for local tax incentives, like property tax abatements. Property taxes are a critical source of funding for schools, older adult services, ambulance services, fire protection, and other essential community services. In Missouri, property taxes accounted for 36% of local government general revenue in 2023.^{xvi}

When you factor in state and local tax exemptions, the amount of public revenue Missouri loses to data centers is likely higher than some might predict. This is especially concerning when you consider many of these data storage centers are owned by some of the most profitable companies in the world that already receive billions of dollars in federal tax subsidies.^{xvii}

Data Center Developers' Promise of New Jobs and Long-Term Benefit to Communities May Be Overstated

To be eligible for the Missouri Data Center Sales Tax Exemption Program, new facilities must create at least ten full-time non-construction jobs at 150% of the average county wage, and expanding facilities must create at least five.^{xviii} But there is no requirement or guarantee that other jobs in these facilities are high-quality jobs, permanent, or filled by workers who live in the community.^{xix} Most of the jobs promised by data center developers are in construction, and are therefore temporary.^{xx} In addition, recent evidence suggests that jobs created at data centers are offset by job losses in other sectors.^{xxi}

Furthermore, a core function of large data centers is to house the computers that perform artificial intelligence (AI) computations.^{xxii} If forecasts are correct, and the pace of AI adoption accelerates, many jobs performed by humans are at risk of being replaced by AI.^{xxiii}

Over the long-term, job gains at data centers may not be enough to offset the number of jobs replaced by AI in other industries.^{xxiv} AI-displaced workers may increase the need and demand for Missouri's safety net and other public assistance programs.

The Hidden and Long-Term Costs of Data Centers

Although the primary scope of this article is to highlight the direct cost data center developments have on state and local budgets, it is worth noting there are additional short- and long-term indirect costs to the public that should be considered. For example:

- Data centers consume extraordinary amounts of water and electricity.^{xxv} There is growing evidence these centers contribute to higher household utility costs.^{xxvi} Households that cannot afford the higher prices may turn to publicly funded programs, like Low Income Home Energy Assistance Program (LIHEAP), for financial assistance.
- Data centers emit a lot of heat and carbon emissions, plus they are powered by fossil fuels.^{xxvii} All these things contribute to our rapidly warming climate and extreme weather events.^{xxviii} Property damage caused by extreme weather raises insurance prices, putting additional strain on household budgets.
- Noise, light, and water pollution from data centers can jeopardize people's health, and lower property values of residential communities adjacent to data centers.^{xxix}
- Due to technological advancements and normal wear and tear, data centers replace their computer hardware about every five years.^{xxx} This creates enormous amounts of e-waste (including hazardous materials) that communities and the state may not have the capacity to recycle or properly dispose.^{xxxi}

- Data centers are intertwined with current public debates over ethical and legal issues related to data ownership, data privacy violations, data equity, and societal harms caused by the negative consequences of AI.^{xxxii}

Conclusion and Recommendations

The actual short- and long-term public costs of data center tax subsidies may outweigh their benefits. Escalating program costs and greater awareness of the negative impacts of large data centers are prompting states across the country to re-evaluate their data center tax incentives.^{xxxiii} Furthermore, with the popularity and surgency of AI, tax incentives may not even be necessary.

The hyperscale data center market is dominated by tech giants Amazon, Meta, Microsoft, and Google (owned by Alphabet).^{xxxiv} These companies receive billions in federal subsidies a year, despite being among the most profitable corporations in the world.^{xxxv} Because data technology, processing, and storage are intrinsic to their success, it is reasonable to believe these companies will continue building data centers regardless of whether they receive public subsidies.

In light of successive budget shortfalls and stagnating revenue,^{xxxvi} Missouri should do the following:

- Impose a temporary moratorium on the Missouri Sales Tax Exemption Program to evaluate the efficacy of the program and determine its actual economic and environmental cost to the state and localities.
- Require greater transparency from data center developers and operators, and make that information publicly accessible. The disclosures should include the names of sales tax exemption recipients (including their parent companies), the amount of the subsidy received, the number of promised and actual jobs created, the type of jobs created, and the facilities' energy infrastructure and usage amounts. Public data should also disclose if facilities receive other types of subsidies and publicly funded workforce training support.
- Publicly disclose program participant information and data at least annually.
- Consider energy sources in the provision of credits. Many data centers have begun using renewable energy sources to offset their impact on the climate. State and local tax credits should be conditional on centers getting a majority of their electricity from renewable sources.

Endnotes

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- iii State statute [144.810 \(8\)](#) RSMo.
- iv State statute [144.810 \(8\)](#) RSMo. defines investment as “the value of real and depreciable personal property, acquired as part of the new or expanding facility project which is used in the operation of the facility following conditional approval of an exemption.”
- v Full-time is defined as at least 35 hours per week. The jobs must be employed in facility operations. Construction jobs and part-time jobs not eligible.
- vi Senate Bill 149 (2015) [Fiscal Note](#).
- vii Ibid.
- viii Ibid.
- ix [Data Center Map](#) estimates 71, however Missouri Budget Project excluded the 14 facilities in Gray Summit, Missouri that are under proposal. Data was retrieved April 5, 2026
- x [Data Centers Identified by FracTracker Alliance](#) as of January 2026. Data retrieved April 5, 2026.
- xi Greg LeRoy and Kasia Tarczyska, [Cloudy with a Loss of Spending Control: How Data Centers are Endangering State Budgets](#) (April 2025) Good Jobs First.
- xii Data reflects Tennessee 2025 state and local sales tax exemptions, Illinois’s 2023 state and local exemptions reported by companies; and Iowa’s 2020 cost of sales and property tax exemptions. Source: Greg LeRoy and Kasia Tarczyska, [Cloudy with a Loss of Spending Control: How Data Centers are Endangering State Budgets](#) (April 2025) Good Jobs First.
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