Thomson Reuters Quotes Mark Sommer on Tax Incentives for Data Centers

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Thomson Reuters extensively quotes FBT Gibbons Partner and Tax, Benefits & Estates Practice Group Leader Mark Sommer in its story "Multistate Monitor – States diverge on data center tax incentives."

Sommer discusses that while many states are pausing or rolling back tax incentives for data centers, Kentucky is moving in the opposite direction and how the state's tax code structure enables data centers to support local schools.

"We are seeing just dozens, and I mean dozens, of data centers coming into Kentucky," Sommer says.

He explains that companies are attracted by the state's competitive advantages, including accessible utilities, robust power grid, major north-south interstates, and multiple airports. However, he also points out Kentucky's tax code does include a key impediment for data centers — a 6% sales tax on energy plus a 3% additional school utility tax in some countries.

"Unlike Ohio, Kentucky wants to tax the energy input into, for example, a data center," he says. While that tax also applies for auto manufacturers and others, Sommer explains a mitigating exemption is available for traditional manufacturers and industrial processors.

Sommer further explains that a 650-megawatt data center operating at 90% efficiency could generate enough revenue from the 3% utility tax to more than double the per-student funding for one of the state's smallest school districts.

"In the poorest of counties, that's life-changing," he says. "It's just that simple, and that's being lost. That's just getting lost in the noise."

Read the full story.