

OFFICE OF FISCAL ANALYSIS

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EMERGENCY CERTIFICATION

HB-6514

AN ACT CONCERNING INCENTIVES FOR QUALIFIED DATA
CENTERS TO LOCATE IN THE STATE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect
Department of Economic & Community Development	GF - See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect
Various Municipalities	See Below

Explanation

The bill authorizes the commissioner of the Department of Economic and Community Development (DECD) to enter into tax incentive agreements (including sales tax and property tax exemptions) with qualified data centers.

State Impact

Current law allows Connecticut Innovations (CI) to enter into agreements to provide sales and use tax relief.¹ The bill extends this

¹ CI is granted broad authority to exempt sales and use tax for any project that has been approved by the Board of Directors (subject to the operating policies and procedures of the Board) under CGS Sec. 32-46(b). For example, in 2019 CI provided an estimated \$55.2 million exemption from state sales and use tax over 10 years for a relatively large development (465,000 sq. ft.) in New Britain.

authority to the DECD with respect to qualified data centers only. Consequently, there is no state revenue impact from this provision.

Additionally, the bill allows the DECD commissioner to enter into a contractual arrangement to exempt any qualified data center developer from a future state financial transaction tax if one were to be enacted. The fiscal impact of this provision is dependent upon whether: 1) the state would enact any such tax in the future, and 2) the DECD commissioner subsequently invokes this authority.

The bill also establishes an Office of Data Infrastructure Administration and Security within the DECD, and specifies that associated administrative and operational costs be funded by annual payments (not to exceed \$50,000 each) made by qualified data centers. It is anticipated such payments would cover additional administrative costs to the agency.

Municipal Impact

The bill provides a property tax exemption to qualified data centers for meeting certain investment thresholds for up to a thirty-year period. Any foregone revenue to a municipality as a result of the bill would depend on the amount of qualifying real and personal property exempt from taxation, the municipality's mill rate, and the offsetting revenue a municipality would receive from entering into a host agreement with the data center, as required by the bill.

For illustrative purposes, property tax exemptions for \$200 million in qualifying property would lead to foregone revenue of at least \$6.27 million annually, assuming the FY 21 average statewide mill rate of 31.36.

The bill also enables municipalities to place liens on associated property in the event of non-payment under a host agreement.

This analysis does not attempt to address any potential change in value over the time due to depreciation or cost of land.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, except for the annual payments to DECD which would remain subject to a \$50,000 cap.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.