MAINE.
ECONOMIC & COMMUNITY DEVELOPMENT

L.D. 713 Report to the Joint Standing Committee on Taxation

An Act to Exclude Data Centers from the Business Equipment Tax Exemption and the Dirigo Business Incentives Program and to Require the Department of Economic and Community Development to Study Financial Incentives for Data Centers

(Public Law 2026 Chapter 768)

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Introduction

During the 132nd Session of the Maine Legislature, LD 713 - An Act to Exclude Data Centers from the Business Equipment Tax Exemption and the Dirigo Business Incentives Program and to Require the Department of Economic and Community Development to Study Financial Incentives for Data Centers (PL 2025 c. 768) passed, was signed by the Governor, and enacted.

It requires the Maine Department of Economic and Community Development (DECD) to "study potential financial incentives that data centers may benefit from based on current state laws" and continues to say: "The department shall submit a report based on the study, including suggested legislation, no later than November 4, 2026 to the Joint Standing Committee of the Legislature having jurisdiction over taxation matters."

This report was produced after reviewing:

1. Financial incentives presented on DECD's Office of Business Development website.
2. Financial resources presented on DECD's Office of Business Development website.
3. Maine Revised Statutes Title 36: Taxation
4. Reports found on the Department of Financial and Administrative Services – Maine Revenue Services: Office of Tax Policy website.
5. Prior legislation related to data centers.
6. Materials produced by Maine's Data Center Advisory Council through August 13th, 2026.
7. Input gathered from DECD staff.

In addition to the information that was surfaced through this review, DECD also considered the various industry reports on the health of the Maine economy, especially ones that are heavily impacted by the accessibility of AI-driven technologies, in making recommendations for legislation for the 133rd Session of the Maine Legislature.

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Background Information

Legislative Process & Report Origin

In the 132nd Session of the Maine Legislature, several bills were considered related to data centers:

- LD 307 An Act to Establish the Maine Data Center Coordination Council and Place a Temporary Limitation on Certain Data Centers;
- LD 912 An Act to Limit the Amount of Electricity That May Be Provided to Data Centers on a Certain Commercial or Industrial Site; and
- LD 713 An Act to Exclude Data Centers from the Business Equipment Tax Exemption and the Dirigo Business Incentives Program and to Require the Department of Economic and Community Development to Study Financial Incentives for Data Centers.

Related public hearings included testimony from constituents with a wide variety of perspectives, community members, advocacy groups, industry leaders, and state officials. Several felt that data centers differ from the types of businesses that Maine's current Business Equipment Tax Exemption (BETE) and Dirigo Business Incentives were designed to support, noting that both financial incentives are designed to support businesses that ultimately generate long-term, quality employment in Maine communities. As a result, LD 713 amended the statutes that describe eligibility for accessing BETE and the Dirigo Business Incentives to exclude data centers. *A note on Dirigo: the incentive was created, in part, specifically to target data processing businesses*.

Employment Opportunities Created by Data Centers

Analysis of employment and incentives data does provide some support for the underlying concerns discussed during the public hearings related to Maine's LD 307 and LD 713, which led to excluding data centers from accessing BETE and the Dirigo Tax Incentive Program. Additional context is provided below to show the nuance:

Evidence suggests that data center development can generate substantial short-term employment during the construction phase, while the number of permanent operational jobs is considerably smaller.[1] The Brookings Institute developed a dataset of 1,500 U.S. data center facilities and linked it to county-level employment and wage data from the Bureau of Labor Statistics. They found that labor markets with their "first large data center see employment rise in the data processing sector by 56% over the first decade of operations. Telecommunications, a key sector

[1] Daniel Goetzel, Mark Muro, and Shriya Methkupally, Turning the data center boom into long-term, local prosperity, Brookings Institution, February 5, 2026. https://www.brookings.edu/articles/turning-the-data-center-boom-into-long-term-local-prosperity/

in data center operations, jumps 43%. Wages were unchanged […] At a typical treated county, these estimates imply roughly 100-200 jobs, depending on facility type."[2]

The findings related to employment gains differ based on the type of data center – hyperscale and colocation. According to the Brookings Institute "Both types of data centers see growth in the data processing sector. However, hyperscale counties also see telecommunications sector gains while colocation counties do not. This is because a hyperscale campus creates demand for high-capacity fiber connections and network operations centers whereas a colocation facility leases space to remote tenants who may have no local operational presence." Hyperscale facilities are mostly funded by private investment (only 2% from tax incentives), while colocation facilities are mostly funded by incentives (62%). Facilities that seem to need more incentives actually produce fewer long-term employment gains.

As the legislature considers the incentives below, it should also account for the nuances in outcomes depending on the type of data center and the context within it is established. Everything from its size, geographic location, construction type (new or renovated), to the current economic climate and state policies can impact overall value add to the economy.

Report Contents

This report provides the result of the review of other incentives and resources available to businesses in Maine under current state law. It identifies options that data centers could possibly access and offers commentary on how likely these resources are to be utilized, referencing examples from other states as needed.

Financial Incentives (Tax Incentives, Tax Credits, and Tax Exemptions)

The State of Maine offers several financial incentives for businesses. Those incentives are captured on the DECD Office of Business Development's website. A review of those incentives shows that there are very few options that are likely to provide direct benefit to data centers within existing state law: 1) Municipal Tax Increment Financing (MTIF), 2) Sales and Use Tax Exemptions, 3) Research Expense Tax Credit, and 4) Maine Renewable Energy Equipment Tax Exemption. For ease of access, language from the DECD website, Maine Revised Statutes, and related rulemaking documents is copied below, with commentary added in as needed.

Municipal Tax Increment Financing (MTIF)

[2] Bahar, Dany, and Greg Wright. "New Evidence on Data Center Employment Effects." *Brookings*, 4 May 2026, www.brookings.edu/articles/new-evidence-on-data-center-employment-effects/.

Municipal Tax Increment Financing (MTIF) allows municipalities to leverage new property taxes generated by a specific development to finance other public or private projects within their municipality. Municipalities create MTIF districts, often in partnership with businesses.

Related Statutes & Rules

- **TIF Statute: 30-A M.R.S. §§ 5221-5235**
- **TIF Rules: 19-100 C.M.R. Ch. 1, §§ 1-7 (effective December 22, 2009)**

Maine's Municipal Tax Increment Financing (MTIF) program can yield a particularly significant financial benefit for municipalities for a large capital-intensive project such as a data center. The municipality can set aside the difference between the property tax amount from the original value of the development site and the property tax amount of the final site in a separate account for up to 30 years. They can use that funding to bring economic development benefits to other parts of their municipality without concern that this will affect financial benefits they may already receive from the state (like school funding through the EPS formula). It is critical to note that there are additional parameters to this program that the municipality needs to consider carefully, such as the total acreage of all TIFs allowed or the impact on state subsidies once the TIF term ends. This may not be advantageous to all municipalities and state government can't dictate whether these TIFs are formed – this happens between the municipality and the developer.

Of note: The statutory language related to the development of this program does indicate that the original goal was to create new employment opportunities, improve and broaden the tax base, and improve the general economy of the state. When you look at data centers as a single entity, you likely will not see much employment benefit beyond the initial construction, however, if you consider what that availability of computing power can do for emerging industries in Maine (like the life sciences[3]) or what communities do to revitalize other parts of their municipality as a result of the MTIF, you may find that more jobs are created.

Sales and Use Tax Exemptions

As of 2026, 38 states offer dedicated tax incentives to attract data center development[4], but the trend is beginning to shift: eight states moved in 2026 to pause or repeal data

[3] Life Sciences Analysis: Maine DECD – Domestic Trade & Market Analysis. Maine DECD, July 2026, www.maine.gov/decd/sites/decd/files/2026-08/Final%20Report%20-%20Life%20Sciences-%20DECD.pdf.
[4] "Subsidizing Servers: How States Are Competing to Attract Data Centers." National Conference of State Legislatures, 2026, www.ncsl.org/fiscal/subsidizing-servers-how-states-are-competing-to-attract-data-centers.

center sales-tax exemptions or related incentive programs[5], while several others tightened eligibility requirements. These changes reflect growing scrutiny of the cost of these incentives and whether the resulting investment and economic activity would have occurred without the tax benefit.

Evidence from state evaluations suggests that sales and use tax exemptions can generate substantial investment and economic activity, but the benefits should be weighed against the revenue forgone and, critically, whether the incentive changes a company's investment decision. State evaluations have also found that construction-related employment can substantially exceed permanent operational employment.

For example, the Washington State Joint Legislative Audit and Review Committee found that data center businesses in three urban counties received an estimated $42.4 million in tax savings between 2023 and 2026, while reporting 53 permanent jobs and nearly 300 temporary construction jobs[6]. Participating projects increased assessed property value by approximately $111 million, generating about $1.2 million in additional property taxes. However, JLARC concluded that it could not determine how much of the investment would have occurred without the tax exemption.

Other states have found larger economic effects. A 2025 evaluation of Georgia's sales and use tax exemption that was designed for rural counties with populations under 50,000 estimated $474.2 million in forgone state tax revenue in FY2025[7]. The analysis attributed approximately 30% of data center activity to the exemption and estimated that this activity supported 8,505 construction jobs and 1,641 operational jobs. There was a $1.0 billion value add to the economy due to construction and a $247 million value add due to data center operations The study concluded that state economic growth was higher than revenue forgone.

Taken together, these evaluations suggest that sales and use tax exemptions can support significant investment and construction activity, but their effectiveness depends on whether the incentive is necessary to secure that investment and whether the resulting economic and fiscal benefits justify the revenue forgone. The experience of other states also suggests that program design, reporting requirements, and periodic evaluation are important tools for determining whether these incentives are achieving their intended economic-development objectives.

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[5] "Where States Stand on Data Center Sales Tax Exemptions Ahead of US Midterms." S&P Global Energy, 2026, www.spglobal.com/energy/en/news-research/latest-news/electric-power/091126-where-states-stand-on-data-center-sales-tax-exemptions-ahead-of-us-midterms.

[6] "JLARC Report | 2026 Tax Preference Review: Data Centers in Urban Counties." *Wa.Gov*, 2026, leg.wa.gov/jlarc/taxReports/2026/data/1/report.html.

[7] "Georgia Data Center Sales & Use Tax Exemption - DOAA." *DOAA*, 19 Dec. 2025, www.audits2.ga.gov/reports/summaries/georgia-data-center-sales-use-tax-exemption/.

While Maine has created many opportunities for businesses or organizations to benefit from sales and use tax exemptions, data centers currently have very few, if any, avenues to access them; current Maine law limits offering these for only a precise set of business activities and ownership / contracting arrangements.

Related Statutes & Rules

- Maine Revised Statutes Title 36: Part 3 Sales and Use Tax
- Maine Revenue Services Rules for Sales / Use Tax

There may be portions of data center operations that could qualify (like qualifying R&D), but there is not a blanket sales and use tax exemption for data centers within the Maine Revised Statutes, Title 36. Supporters of specific tax incentives for data center development in Maine have tried, and failed, twice before to secure sales tax incentives:

- 128th Session of the Maine Legislature – LD 1722 An Act To Encourage Computer Data Center Development by Providing a Sales Tax Refund or Exemption
- 125th Session of the Maine Legislature – LD 1259 An Act To Encourage Computer Data Center Development

Research Expense Tax Credit

Depending on the activities conducted within a data center, a taxpayer may potentially qualify for Maine's Research Expense Tax Credit. Maine's credit incorporates the federal rules governing qualified research under IRC §41 (b & d), but applies only to qualified research conducted in Maine. Eligibility would depend on the specific activities and expenses of the taxpayer and whether those activities satisfy the federal requirements for qualified research. Simply operating servers or providing cloud-computing capacity for customers that are conducting research would not, by itself, establish that the data center operator is conducting qualified research or is eligible for the credit.

Related Statutes & Rules

- Maine Revised Statutes Title 36, §5219-K
- Note: PL 2023, c. 360, Pt. B, §12 served as an amendment that allowed Maine Revenue Services to have the option to engage in rulemaking (instead of requiring them to do so). There are no current rules related specifically to the Research Expense Tax Credit included in Maine Revenue Service Rules.

Guidance provided on the DECD website for Technology Tax Credits and Sales Tax Exemptions says “In general, R&D tax credits are based on federal IRS rules and applied for as part of a company’s state corporate tax return. The credit is based on a percentage of the federal Credit for Increasing Research Activities. The credit is limited to 5% of the

excess qualified research expenses over the previous three-year average plus 7.5% of the basic research payments under IRC § 41(e)(1)(A). The credit is further limited to 100% of the first $25,000 in tax liability plus 75% of the tax liability in excess of $25,000. The credit cannot be carried back, but it can be carried forward for up to 15 years."

Short of a research group designing a study to assess the efficacy of experimental approaches to making data centers more environmentally friendly that would require fully functional data centers, it seems unlikely that they could access this benefit. This review did not find examples of data centers in other states that were able to take advantage of their research related tax credits.

Maine Renewable Energy Equipment Tax Exemption

Data centers may potentially benefit from Maine's renewable energy equipment property tax exemption if they install qualifying renewable energy equipment at the facility. Under Maine law, certain solar energy equipment is exempt from local property tax when the electricity generated is used on-site, subject to the statutory requirements. The exemption applies to the qualifying renewable energy equipment itself, rather than to the data center or its broader electrical infrastructure. Taxpayers must file with the local assessor by April 1 of the first property tax year for which the exemption is claimed. Eligibility should be confirmed with the applicable municipal assessor and Maine Revenue Services.

Related Statutes & Rules

- **Title 36, §656-1K and 1L**
- No related rule: Laws | Maine Revenue Services

This incentive could be relevant to data centers because facilities can pair on-site renewable generation with their electricity demand. Data centers in other states have used similar arrangements. An example is the Mineral Gap Data Center in Wise, Virginia, where a 3 MW solar project on an adjacent former coal mine site supplies electricity to the data center[8]. The U.S. Environmental Protection Agency identifies the Mineral Gap Data Center in Wise, Virginia, as an example of a data center supplied by a 3 MW solar photovoltaic project on an adjacent former coal mine site; EPA classifies the project as "Onsite Use – General."[9]

Larger data center operators, including Google and Meta, have also demonstrated that data center operations can be matched with renewable electricity through a combination

[8] "Virginia Energy." *Virginia.Gov*, 2017, energy.virginia.gov/coal/mined-land repurposing/AMLERComplete.shtml
[9] "Site Conditions and Feasibility | US EPA." *US EPA*, 30 July 2024, www.epa.gov/re-powering/site-conditions-and-feasibility.

of renewable energy projects, power purchase agreements, and grid resources. However, because data centers operate continuously while solar generation is intermittent, an on-site solar installation would generally supplement rather than independently replace grid or other firm power without substantial energy storage or additional generation.

Financial Resources (Grants & Loans)

Businesses in Maine have the opportunity to submit applications for funding from dozens of specialized grant and loan programs to support their growth. Many are not designed to support the development of data centers, and the few that are likely would not yield significant funding given how small and/or how competitive the program is.

Community Development Block Grant Program (CDBG)

According to the DECD website, the Community Development Block Grant Program (CDBG) "Provides funding to local governments (except entitlement communities) to meet one of three national objectives: benefit to low- and moderate-income persons; prevention and elimination of slum and blight conditions; and meeting community development needs having a particular urgency. Businesses may partner with municipalities to access these funds."

While this is a federally funded program, the Maine Revised Statutes outline how it will be implemented. It says that "The Department of Economic and Community Development shall submit to the Legislature, through the budget process as required by chapter 149, its recommendations for disbursement from the fund."

Related Statutes & Rules

- Maine Revised Statutes Title 5, §13073

This is a highly competitive process and data centers are unlikely to benefit from it directly. However, communities that want to bring in a data center could apply for one of these grants to better the infrastructure that supports the community located in the area near the development site.

Maine Rural Development Authority Financial Resources

The Maine Rural Development Authority has two programs that data centers could apply to receive financial resources from currently. According to the DECD website, the Rural Manufacturing and Industrial Site Redevelopment Program provides "Grant funding that can support technical assistance or any planning or implementation related to the rehabilitation, revitalization, and marketing of manufacturing and industrial sites in rural

communities." and the Commercial Facilities Development Program (CFD) provides "Financial assistance to assist in the development of new commercial facilities and/or the acquisition and redevelopment of commercial facilities that are deemed unproductive."

Related Statutes & Rules for Rural Manufacturing and Industrial Site Redevelopment Program

- Maine Revised Statutes Title 5, §13120-R
- 626c003 - JUL 2025.docx

Related Statutes & Rules for Commercial Facilities Development Program (CFD)

- Maine Revised Statutes Title 5, §13120-P
- 626c001 - JUL 2025.docx
- 626c002.docx

Data centers are unlikely to pursue this funding because each program has such a small amount available (approximately $300K per year).

Efficiency Maine Commercial and Industrial (C&I) Prescriptive Incentive Program

Efficiency Maine's Commercial and Industrial (C&I) Prescriptive Incentive Program offers a variety of fixed incentives for manufacturing and industrial facilities to reduce the cost of projects that help businesses use energy more efficiently for things like heating or lighting. Funding levels range from a minimum of $10,000 to a maximum of $1 million per customer.

Related Statutes & Rules

- The Efficiency Maine Trust (Efficiency Maine) is an independent, quasi-state agency governed by a Board of Trustees with oversight from the Maine Public Utilities Commission. The Efficiency Maine Trust was established in state statute (MRS Title 35-A §10103).

According to the website, some of the smaller data centers that already support businesses in Maine have successfully applied for and received funding under this program.

Regional Economic Development Centers

Regional economic development centers can also technically award funding to new businesses. These are not governed by existing state statute, though MRS Title 5, §13053 does say that DECD will work with them.

The only program that has a funding range large enough to help with data center development is the **Eastern Maine Development Corporation (EMDC) Business**

Loans, providing up to $5.5 million to businesses anywhere in Maine. It's important to note that EMDC only has this added capacity because they are a qualified Small Business Administration (SBA) lender.

Data centers likely wouldn't qualify for this funding because they would generate too much revenue to qualify as a small business.

Additional Opportunities

While this report was primarily designed to address benefits that exist within current state law, it is worth uplifting the benefit of federally designated Opportunity Zones as well, given that Maine participates in this program.

Opportunity Zones

According to DECD's website "The Opportunity Zones incentive is a community investment tool established initially by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. Opportunity Zones provide a tax benefit for qualified property investments in designated zones; the program was made permanent in federal legislation in 2025."

Over the past several months, Maine carefully considered information submitted by municipalities and has submitted 25 census tracks to be designated as Opportunity Zones by the federal government, starting January 1, 2027. These will be the specific underserved communities in Maine that could offer federal tax incentives to those who commit to long-term development.

If a data center wanted to bring its operation to one of these sites, it could potentially reduce capital gains taxes on its investments. However, very few of the sites are likely to be a good fit for a data center given their size and location.

Suggested Legislation

As demonstrated above, there are currently very few financial incentives that would be appealing to data center developers. There does not appear to be a major source of funding that the data center could access on its own. Other sources of funding that are tied to municipalities honor the state's approach to 'home rule' and do not seem to create undue burden at the state level.

At this time, the Department recommends that the Committee wait to draft additional legislation related to the development of data centers in Maine and commit to strongly considering the recommendations for legislation that will emerge from the Data Center Advisory Council on or before January 29th, 2027.