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THE MAINE SENATE
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Testimony of Senator Nicole Grohoski introducing
**LD 713, An Act to Exclude Data Centers from the Business Equipment Tax
Exemption and Dirigo Business Incentives Programs and to
Require the Maine Department of Economic and Community Development to
Study Financial Incentives for Data Centers**

Before the Committee on Taxation

March 11, 2026

Good afternoon, Representative Sayre, and distinguished members of the Taxation Committee. My name is Nicole Grohoski, and I am honored to represent the 22 communities of Senate District 7. Thank you for the opportunity to present my testimony in support of LD 713 as amended, now titled: “An Act to Exclude Data Centers from the Business Equipment Tax Exemption and Dirigo Business Incentives Programs and to Require the Maine Department of Economic and Community Development to Study Financial Incentives for Data Centers.”

This amendment asks a straightforward question: should the State of Maine continue to offer broad-based business incentive programs – programs designed with long-term, good-paying jobs in mind – to a business class that may not deliver on that promise? My view is: not without more thought.

What This Amendment Does

The amendment takes a targeted, prospective approach. It defines data centers using the same language that 11 members of the Energy, Utilities, and Technology Committee recently utilized in amendments to LD 307. It then excludes data centers that begin operations on or after July 1, 2026 from the Business Equipment Tax Exemption (BETE). It also excludes data centers from the Dirigo Business Incentives program; it does not include a start date because there are no data centers currently in the Dirigo program, according to the Department of Economic and Community Development. Critically, it does not change the rules for anyone who may already be benefiting from these incentives.

Alongside those exclusions, the amendment directs the Maine Department of Economic and Community Development (DECD) to study what additional financial incentives data centers may

already benefit from under current State law, and to report back to this committee no later than November 4, 2026. Examples could include tax increment financing (TIF) incentives or economic development grants. The amendment does not propose to slam the door, but rather to pause to look before we walk through it.

The Existing Programs Were Built Around Good Jobs

To understand why this amendment makes sense, it helps to discuss why BETE and Dirigo exist in the first place.

BETE exempts qualifying businesses from paying property taxes on business equipment, with the State compensating municipalities for 50% of the tax revenue lost. In other words, our towns and cities never see the full property tax benefit of a major investment when BETE applies. That tradeoff has been justified by broader economic gains: sustained employment, supply chain activity, and community vitality from sectors like manufacturing.

Dirigo goes further. As described on the DECD website¹, the program offers eligible businesses a 10% capital investment tax credit and up to \$2,000 per employee who is provided a qualified training program annually, all in sectors like manufacturing, engineering, scientific research, and software services. The logic is clear: reward investments that build a workforce, reward businesses that train and retain good workers.

Since Dirigo was only created a few years ago, I was able to review the written testimony about the bill (LD 1918). While eligible sectors include "software publishing, data processing, and computer design services," none of the testimony identified data centers as possible recipients of the program. Thus, I think it is reasonable to conclude that Dirigo was not specifically designed to incentivize data center development.

Both programs were designed with a certain type of business in mind: one that makes deep capital investments and generates long-term, quality employment in Maine communities. The question this amendment asks is a fair one: do data centers fit that profile?

Data Centers Operate Differently Than Other Qualifying Businesses

I want to be careful here – data centers are not without value. The digital infrastructure they provide is real, and in some locations, data center investment has generated meaningful economic activity. But the evidence is mixed, and the concern about job creation in particular is well-documented.

A 50-state survey published by NAIOP (Commercial Real Estate Development Association) noted that data centers, even large ones, do not require a large workforce to operate, and that some states

¹ <https://www.maine.gov/decd/business-development/financial-incentives-resources/incentives/dirigo>

have set job-creation thresholds as low as 10 permanent positions to qualify for major tax abatements.² One Microsoft data center in Illinois, for example, received more than \$38 million in tax exemptions but created just 20 permanent jobs, according to CNBC's reporting.³ According to Greg LeRoy of Good Jobs First, "States themselves report losing 52 to 91 cents on the dollar on their sales and use tax exemptions. Data centers are causing stress on electric grids, driving up electricity prices, taxing water supplies and creating very few permanent jobs."⁴

The costs of tax exemptions have also escalated far beyond initial projections in states that moved quickly. Texas surpassed \$1 billion in foregone revenue in fiscal year 2025, up from an original estimate of \$130 million. Georgia saw its exemption costs jump from \$10 million to \$625 million in just a few years. Foregone revenue in Illinois went from \$10 million to \$370 million in the first four years of its program.⁵

The national picture has shifted sharply. As MultiState reported earlier this year, more than 300 data center bills were filed in state legislatures in the first six weeks of 2026 alone, with Virginia, Georgia, Maryland, Oklahoma, Nebraska, and South Dakota all actively reconsidering or rolling back incentives. Many other states are seeking to prevent data center development while determining the costs and benefits.⁶

Our Municipalities Deserve Better Than Half a Loaf

There is a dimension to BETE that I want to underscore: when BETE applies, the State reimburses municipalities for only 50% of the foregone property tax revenue. That means a town or city that hosts a large data center – and bears the real costs of infrastructure, emergency services, and community impact – never sees the full fiscal benefit of that investment. Communities that bear those real costs deserve the full fiscal benefit in return, and BETE prevents them from ever seeing it.

If we are going to offer incentives for data centers, those incentives should be designed with municipal impacts explicitly in mind, not inherited as a byproduct of a program built for a different kind of business. Our communities deserve that clarity.

² <https://www.naiop.org/research-and-publications/magazine/2024/Winter-2024-2025/development-ownership/an-overview-of-state-data-center-related-tax-incentives/>

³ <https://www.nbcdfw.com/news/business/money-report/in-race-to-attract-data-centers-states-forfeit-hundreds-of-millions-of-dollars-in-tax-revenue-to-tech-companies/3868126/?amp=1>

⁴ <https://www.governing.com/finance/the-very-real-costs-of-tax-incentives>

⁵ <https://news.bloombergtax.com/daily-tax-report-state/data-centers-won-billions-in-tax-breaks-some-states-are-balking>

⁶ <https://www.multistate.us/insider/2026/2/4/states-rethink-data-center-tax-incentives-as-costs-soar> & <https://www.multistate.us/insider/2026/2/20/state-data-center-legislation-in-2026-tackles-energy-and-tax-issues>

This is a Reset, Not a Prohibition

I want to be clear about what this amendment is and is not. It is not a statement that a data center should never be built in Maine or that we should never offer incentives to data centers. It is a recognition that BETE and Dirigo were not designed with data centers in mind, and that we should not apply them by default while we take stock of what benefits data centers actually deliver and if or how we want to incentivize them.

Directing DECD to study and report back by November 4, 2026 will give the next Legislature timely, evidence-based information to act on in the next session. That is good governance. While other states are scrambling to fix programs they put in place too quickly and without sufficient guardrails, Maine has an opportunity to thoughtfully consider the direction we want to take. If data centers belong in our conversations about economic development, let's make that case deliberately and design something that works for Maine people, Maine communities, and Maine's fiscal future.

Conclusion

This amendment offers a responsible, forward-looking opportunity. It protects those already operating under the current rules. It asks the right questions before committing public resources. And it ensures that if Maine is going to incentivize data centers, we do so on our own terms – with eyes open, with municipal interests protected, and with a program tailored to the actual contours of this industry.

Thank you for your time and consideration of my testimony. I would be happy to answer any questions.