

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. Patron Jessica L. Anderson

3. Committee House Finance

4. Title Retail Sales and Use Tax; Data Center
Exemption; Annual Report

2. Bill Number HB 784

House of Origin:

Introduced

Substitute

Engrossed

Second House:

In Committee

Substitute

Enrolled

5. Summary/Purpose:

This bill would require the Department of Taxation (“Department”) to annually publish on its website a report regarding the usage of the data center sales tax exemption. The report would include the names of all data center operators qualifying for the exemption, and for each operator (i) the amount of the exemption claimed, (ii) whether the required job creation and capital investments goals set by the operator’s memorandum of understanding have been met, and (iii) the employment levels and average annual wages paid to its employees. The bill would also create a new exception to the tax secrecy laws allowing the Department to publish the proposed report.

Under current law, the Department, in collaboration with the Virginia Economic Development Partnership (“VEDP”), is required to publish a biennial report that includes aggregate information on purchases and leases qualifying for the exemption, the total value of the tax benefit, a return on investment analysis that includes direct and indirect jobs created by data center investment, state and local tax revenues generated, and any other information the Department and VEDP deem appropriate to demonstrate the costs and benefits of the exemption. The Department and VEDP are prohibited from disclosing, any such information if it is unaggregated or if such report or publication could be used to identify a business or individual. The Department is required to publish the report and submit it to the Chairmen of the Senate Committee on Finance and Appropriations and the House Committees on Appropriations and Finance.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

6. Budget amendment necessary: No.

7. Fiscal Impact: Unknown. (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”) considers this bill as routine and does not require additional funding.

This legislation does not require significant changes to the Department’s systems and is not impacted by the first phase of the Integrated Revenue Management System (“IRMS”) replacement project. No resource constraints or implementation considerations are anticipated.

Revenue Impact

Publishing operator-level information does not change tax rates or exemption eligibility and is expected to have no direct impact on state or local revenues. While the disclosure requirements of this bill could deter certain taxpayers from availing themselves of this exemption, any such impact is indeterminate.

9. Specific agency or political subdivisions affected:

Department of Taxation, VEDP

10. Technical amendment necessary: Yes.

The current biennial report on data centers includes information regarding the qualifying expenses claimed under the exemption and the value of the tax benefit by data center operators, their affiliates, and tenants. If the intent of this bill is for the proposed report to include this data for each data center’s affiliates and tenants, the following amendments are suggested:

Page 2, line 90, after operators

Insert , their affiliates, and their tenants

Page 8, line 431, after claimed

Insert by it, and its affiliates and its tenants

11. Other comments:

Current Law

Currently, a sales tax exemption is available to qualifying data centers. The exemption covers computer equipment or enabling software purchased or leased for the processing, storage, retrieval, or communication of data, including but not limited to servers, routers, connections, and other enabling hardware, including chillers and backup generators used or to be used in the operation of the equipment for use in a data center that: (i) is located in a Virginia locality; (ii) results in a new capital investment on or after January 1, 2009, of

at least \$150 million; and (iii) results in the creation on or after July 1, 2009, of at least 50 new jobs by the data center operator and the tenants of the data center, collectively, associated with the operation or maintenance of the data center provided that such jobs pay at least one and one-half times the prevailing average wage in that locality.

If the data center is located in a “distressed locality,” (i) the requirement of at least 50 new jobs is reduced to 10 new jobs and (ii) the requirement of at least a \$150 million new capital investment is reduced to \$70 million. A “distressed locality” is:

- From July 1, 2021, until July 1, 2023, any locality that had (i) an annual unemployment rate for calendar year 2019 that was greater than the final statewide average unemployment rate for that calendar year and (ii) a poverty rate for calendar year 2019 that exceeded the statewide average poverty rate for that year; and
- From and after July 1, 2023, any locality that has (i) an annual unemployment rate for the most recent calendar year for which such data is available that is greater than the final statewide average unemployment rate for that calendar year and (ii) a poverty rate for the most recent calendar year for which such data is available that exceeds the statewide average poverty rate for that year.

This exemption applies to the data center operator and the tenants of the data center if they collectively meet these requirements. In order to take advantage of this exemption, data center operators and their tenants must enter into a memorandum of understanding (“MOU”) with the Virginia Economic Development Partnership (“VEDP”) and obtain an exemption certificate from the Department.

Virginia Tax Exemptions for Data Centers Report

The Department is required to prepare a report, which must include aggregate information on qualifying expenses claimed under this exemption, the total value of the tax benefit, a return on investment analysis that includes direct and indirect jobs created by data center investment, state and local tax revenues generated, and any other information the Department and VEDP deem appropriate to demonstrate the costs and benefits of the exemption. In addition, VEDP is authorized to publish on its website and distribute annual information indicating the job creation and ranges of capital investments made by a data center operator and, if applicable, its participating tenants, in a format to be developed in consultation with data center operators. On January 2, 2026, the most recent [Virginia Tax Exemptions for Data Centers Report](#) was published, which found that the sales tax exemption resulted in forgone revenues of \$1.3 billion in Fiscal Year 2024 and \$1.9 billion in Fiscal Year 2025.

The current report does not include, and the Department and VEDP are prohibited from publishing or disclosing any such information if it is unaggregated or if such report or publication could be used to identify a business or individual. The Department is required to publish the report and submit it to the Chairmen of the Senate Committee on Finance and Appropriations and the House Committees on Appropriations and Finance.

Proposal

This bill would require the Department to annually publish on its website a new report summarizing the usage of the data center exemption. The report would include the name of all data center operators qualifying for the exemption, and for each such data center operator (i) the amount of exemption claimed, (ii) whether the required job creation and capital investments goals set by a data center operator's MOU have been met, and (iii) the employment levels and average annual wages paid to its employees. The bill would also create a new exception to the tax secrecy laws allowing the Department to publish the proposed report.

The bill would require VEDP to share all information collected with the Department in an unaggregated form. The current biennial report, however, would not include, and the Department and VEDP would be prohibited from publishing, or disclosing any such information if it is unaggregated or if such report or publication could be used to identify a business or individual.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

Similar Legislation

House Bill 641 and **Senate Bill 393** would impose a land conservation tax upon data center operators and dedicate the revenue for land preservation.

House Bill 897 would add clean energy and energy efficiency requirements for data center operators and their tenants to qualify for the data center sales tax exemption.

House Bill 961 would limit the data center exemption to purchases or leases of equipment or enabling software that (i) take place prior to the data center's start of operations, or (ii) as part of a refresh cycle of an existing data center improve the energy efficiency of such equipment or software.

House Bill 1101 would require that the local composite index school funding formula be revised to include as a factor in the calculation of required local effort any local revenue generated by data centers.

House Bill 1132 would authorize localities to create local renewable energy incentive program to reduce utility bills for residential customers, to reduce reliance upon fossil fuel power generation facilities, to reduce the need for construction and placement of new transmission lines, and to minimize future electricity costs for residential customers. The bill would require that 15 percent of new data center revenue be spent toward residential solar and battery storage investment and an additional 15 percent allocated to providing pro rata reimbursements for residents' tangible personal property tax assessments on qualifying vehicles.

Senate Bill 93 would provide that if any tenant of a data center is a bank, then the sales tax data center exemption would not apply to the data center operator and its tenants. The bill would also make computer equipment and peripherals of banks used in a data center subject to personal property taxes.

Senate Bill 465 would add clean energy and energy efficiency requirements for data center operators and their tenants to qualify for the data center sales tax exemption.

cc : Secretary of Finance

Date: 02/07/2026 JEM
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