

To: Governor Gretchen Whitmer, Speaker Matt Hall, and Majority Leader Winnie Brinks
Re: Letter Urging Transparency in Data Center Tax Exemptions
Cc: House Finance Committee and Senate Finance, Insurance, and Consumer Protections Committee

Dear Governor Whitmer, Speaker Hall, and Majority Leader Brinks,

We were incredibly disappointed to learn that the Michigan Economic Development Corporation (MEDC) would be approving sales and use tax exemptions for data centers without any public disclosure in the near term. As reported in [MLive](#), MEDC confirmed “it won’t disclose specific information identifying tech firms that seek the tax breaks” and indicated that an unnamed third party had advised MEDC statute prohibited them from doing so. Therefore, data centers could already have applied or will soon apply for sales and use tax exemptions without the value of the tax exemption or the company receiving it being disclosed to the public.

We do not agree with MEDC’s interpretation of the statute. MEDC and the Michigan Strategic Fund (MSF) are public bodies administering public tax dollars. Furthermore, the sales and use tax exemption law for hyperscale data centers clearly outlines a public process of certification and deliberation that is directly at odds with MEDC’s claims of required secrecy. A process in which the public cannot know which companies are seeking these exemptions, how much those exemptions are worth, or whether the applicants have demonstrated compliance with the law is at odds with fundamental principles of transparency and accountability in government. Because several hyperscale data centers are in various stages of development we need an expedient resolution to this issue. We cannot wait and hope public pressure and additional legal guidance will sway MEDC to change its reading of the law. The public deserves to know which data centers are benefiting from these tax exemptions and to what extent. **We therefore urge you to amend the law and make clear that transparency and disclosure is paramount to data center tax exemptions.**

Hyperscale data centers stand to reap massive benefits from our state sales and use tax exemptions and from renegotiating local taxation. Original estimates in Michigan pegged the loss of state tax revenue from sales and use tax in the tens of millions to hundreds of millions. Other states that have passed identical exemptions have discovered that they are losing out on billions in tax revenue from these facilities. It is not unlikely, due to the pace at which data centers must replace their equipment, Michigan will find itself in a similar boat. And that does not take into account the loss of local taxes; we are already seeing host

communities across the state facing requests for property tax cuts that could amount to billions of dollars of additional lost local revenue.

Given the scale of potential tax benefits accruing to these companies and the public's skepticism and, in many cases, opposition to data centers, we find the lack of disclosure of tax exemption information troubling. At a bare minimum, Michigan decision-makers owe it to the public to be transparent about the largess the data center developers and technology companies are receiving.

Furthermore, the sales and use tax exemption for hyperscale data centers put in place many critical guardrails to ensure only good actors were receiving the exemptions. These protections included clear requirements around powering data centers with clean energy, not having other ratepayers subsidize their energy infrastructure, and using municipal water, amongst others. [Already MEDC and the Strategic Fund Board misinterpreted the clean energy provisions of that statutory language](#). If implemented, this incorrect guidance would allow data centers to access tax exemptions they are not eligible for. Without public disclosure of which data centers are applying for the sales and use tax exemptions and the certifications they are using to demonstrate compliance with the statutory guidelines, we have no doubt that centers will be inappropriately granted exemptions. In short, a lack of transparency will render the guardrails in the tax law meaningless. We do believe that additional regulation is needed for data centers, however the legislature should ensure that the existing protections they adopted are being adhered to and well implemented and that will take public disclosure and accountability.

We call on you to change the law and clarify that:

- The Strategic Fund Board (SFB) should have to vote to approve any sales exemption for any qualified data center.
- The applicant and value of the tax exemption should be made public prior to the SFB vote.
- The documentation demonstrating how the data center is in compliance with the guardrails and requirements of the sales and use tax exemption should also be made public prior to the vote.
- The actual value of sales and use tax exemptions claimed by each certified data center are publicly reported annually.
- Annual compliance reports, amendments, transfers, renewals, and any enforcement or revocation actions associated with a certification be publicly disclosed.
- Ensure that this transparency applies to all qualified data centers, not just enterprise data centers.

- Finally, any guidance that MEDC develops or that the Strategic Fund Board deliberates and/or adopts for how to interpret and implement the provisions of the sales and use tax exemption law should also be made available to the public and a public comment period should be provided prior to adoption.

We urge you to act without delay to bring transparency to these critical decisions that impact all Michiganders.

Sincerely,

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