

# Community Implications of Data Center Development and Tax Incentives

Molly Sherry, BA Public Policy

The surge in cloud computing, Internet of Things (IoT) devices, and artificial intelligence is driving a growing need for storage, processing power, and connectivity. Data centers are the facilities that house the servers, routers, cooling systems, and more and can be over 7 million square feet.<sup>1</sup> Many states, including Michigan, are adopting tax breaks to incentivize the construction of data centers due to promises of economic growth and job creation. However, the impacts of these tax breaks and the rapid expansion of data centers on local communities and economies often go overlooked.

## Data centers will result in higher utility rates for consumers

Data centers raise utility rates for nearby communities. Utility companies often pass the costs of infrastructure upgrades and increased energy demand onto residents and small businesses through higher rates, while the companies building data centers negotiate lower costs through bulk Power Purchasing Agreements (PPAs).<sup>2</sup> These rates disproportionately harm lower-income households. Information about data centers' electricity and water usage is often withheld from the public; as a result, communities may face rising utility bills without understanding why. This lack of transparency leaves them unable to effectively advocate for better regulations or compensation.<sup>3</sup> In Michigan, DTE and Consumers Energy have spent over \$2 million lobbying the state to raise electric rates.<sup>4</sup> Residential electricity rates have increased by 25% since 2017 and are now 17% higher than the national average, with further hikes approved.<sup>5</sup>

## Data centers do not bring in high paying tech jobs

Building data centers may create short-term construction jobs, but these positions do not support sustained economic growth or long-term career opportunities for local residents. Once operational, data centers require relatively few employees as the facilities mainly house computers and servers.<sup>6</sup> The jobs that data centers do create locally are typically low-wage, temporary, non-technical positions such as security, maintenance, and janitorial work. These roles are often filled by contractors rather than full-time employees and usually lack union protections, benefits, and job security.

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<sup>1</sup> Kyle Mason et al., "The Rise of Data Centers in the Grid," Regional Plan Association, June 30, 2025, <https://rpa.org/news/lab/the-rise-of-data-centers>; Raj Vardhman, "18 Must-Know Data Center Statistics for 2025," *TechJury*, <https://techjury.net/industry-analysis/how-many-data-centers-are-there/#gref>.

<sup>2</sup> Evan Halper and Caroline O'Donovan, "As data centers for AI strain the power grid, bills rise for everyday customers," *The Washington Post*, November 1, 2024, <https://www.washingtonpost.com/business/2024/11/01/ai-data-centers-electricity-bills-google-amazon/>; European Investment Advisory Hub, "Commercial Power Purchase Agreements," Accessed May 5, 2025, <https://advisory.eib.org/files/publications/attachments/commercial-power-purchase-agreements.pdf>.

<sup>3</sup> Justin Lindemann, "With Load Growth and Fear of Rising Utility Bills, Are Low-Income Customers Protected?" *DSIRE Insight (blog)*, July 26, 2024, <https://www.dsireinsight.com/blog/2024/7/9/with-load-growth-and-fear-of-rising-utility-bills-are-low-income-customers-protected>.

<sup>4</sup> Yue Stella Yu, "Utilities gave big to Michigan lawmakers now weighing reforms, records show," *Bridge Michigan*, March 6, 2023, <https://bridgemi.com/michigan-government/utilities-gave-big-michigan-lawmakers-now-weighing-reforms-records-show/>.

<sup>5</sup> U.S. Energy Information Administration, "Electricity Data Browser - Average retail price of electricity," Accessed July 15, 2025, <https://www.eia.gov/electricity/data/browser/#/topic/7?agg=0,1&geo=g0004&endsec=vg&freq=A&start=2001&end=2024&ctype=linechart&ype=pin&rtype=s&maptype=0&rse=0&pin=>

<sup>6</sup> Andrew Leahey, "Tax Breaks For Data Centers Bring Few Jobs," *Forbes*, August 13, 2024, <https://www.forbes.com/sites/andrewleahey/2024/08/13/taxbreaks-for-data-centers-bring-few-jobs/>.

## Subsidies intended to encourage job creation result in corporate benefits without local hiring

Tax breaks for data centers in Washington State were intended to boost local jobs and economic growth but have largely benefited major corporations like Microsoft. Over \$300 million in tax revenue—funds otherwise available for public goods such as education, emergency services, and infrastructure—has been lost. There is little transparency or oversight to ensure promised benefits are delivered.<sup>7</sup>

## Data centers reduce tax revenue for school districts

Additional local tax breaks for some data centers in Michigan exempt them from paying property taxes on machinery and computers, which would otherwise provide revenue for local school districts.<sup>8</sup> This has resulted in less funding for educational programs, teacher salaries, and facility improvements, ultimately impacting the quality of education.<sup>9</sup>

## Data centers contribute to environmental harm

Data centers currently do not operate on renewable energy alone, which means they contribute to increasing carbon emissions and air pollution. Renewable energy sources like solar and wind are inconsistent and cannot meet the high uptime (time in which a machine is in operation) requirements of data centers, which can be as high as 99.995%. Diesel generators are commonly used as a backup energy source, releasing numerous harmful emissions, contributing to air pollution and disproportionately impacting nearby communities exposed to these pollutants.<sup>10</sup> Data center operators frequently pledge that their facilities will eventually run on clean energy, including [next-generation nuclear reactors](#) which are not yet on the market, but they are contributing to environmental harm today.

## Resources

- [Michigan Environmental Justice Coalition](#)
- Additional publications from STPP
  - Full report on data centers, [What Happens When Data Centers Come to Town?](#)
  - [Consumers Energy: Don't Count on Us](#)
  - [The Reactor Around the Corner: Understanding Advanced Nuclear Energy Futures](#)
  - [Air Quality 101](#)

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<sup>7</sup> Lulu Ramadan and Sydney Brownstone, “How a Washington Tax Break for Data Centers Snowballed Into One of the State’s Biggest Corporate Giveaways,” *ProPublica*, August, 4, 2024, <https://www.propublica.org/article/washington-data-centers-tech-jobs-tax-break>.

<sup>8</sup> “House Bill 4906 of 2023 (Public Act 207 of 2024),” Michigan Legislature, Accessed May 5, 2025, <https://legislature.mi.gov/Bills/Bill?ObjectName=2023-HB-4906>.

<sup>9</sup> Brian McVicar, “Schools, Switch Data Center Sign Agreement Resolving Tax Dispute,” *MLive*, December 23, 2019, <https://www.mlive.com/news/grand-rapids/2019/12/schools-switch-data-center-sign-agreement-resolving-tax-dispute.html>.

<sup>10</sup> “Data Centers, Diesel Generators and Air Quality – PEC Web Map,” Piedmont Environmental Council, Accessed Aug 13, 2025, <https://www.pecva.org/uncategorized/data-centers-diesel-generators-and-air-quality-pec-web-map/>.