Listening Session: Data Center Policy

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This document contains some surface level information on recent proposals and legislation considered at the Minnesota Legislature.

2025 Data Center Policy Changes

Regulations that passed during the 2025 Legislative Session & Special Session:

House File 9 (Passed)

- Eliminated the sales tax exemption for electricity usage at data centers
  - Effective July 1, 2025
  - Revenue gained from this change is estimated at $138.95 million in Fiscal Year 26-27

House File 16 (Passed)

- Added an annual large-scale data center fee ranging from $2 million – $5 million based on peak electricity demand
- Added new environmental and energy requirements that apply to all new data center developments
  - A new preapplication process detailing estimated water use rates, volumes, sources, quality, temperature, and any other information deemed necessary by the DNR
  - Utility ratepayer protections and requirements for utilities to demonstrate the viability of new projects, effects on other customers
  - New permits for large-scale data centers consuming more than 100 million gallons of water per year
- Extended the 2011 sales tax exemption to large-scale data centers, and extended the sunset to 35 years after the first eligible purchase
  - Minnesota's sales tax exemption is more restrictive and narrow than the 38 other states that offer these incentives. Additionally, to qualify, Minnesota also mandates green building standards and requires that a prevailing wage must be paid to labor doing construction and refurbishing.

2025-2026 Data Center Policy Proposals

Bills drafted and proposed regarding regulations of data centers during the 25-26 Legislative Biennium, and their status or outcome (non-comprehensive):

Senate File 1117 – Study of AI's environmental impacts (includes data centers)

- Got hearings in the Senate, but did not pass House

Senate File 4548 – Ban local officials from signing NDAs

- Passed Senate; Did not pass House

Senate File 4296 – Public hearings and disclosures required for data center projects, regardless of any NDAs previously signed

- Passed Senate; Did not pass House

Senate File 3265 – Repeal data center sales tax exemption

- Did not get hearings in either body

Senate File 4298 – Data center moratorium

- Did not get hearings in either body