
Data Centers Don't Deserve Tax Breaks

HB 5396-5398: Data Center Tax Break Repeal

HB 5362: Revoke \$100M state SOAR funding for Los Alamos in Ypsilanti

Over the last three years, Michigan's policy of offering massive subsidies to large, multinational corporations has failed—quite spectacularly. There are many parallels between the SOAR-funded megasite projects and these AI data center projects. **They're all greenfield**; many have **required local officials to sign NDAs**; and they've actively spurned resident interestholder input. And like SOAR, **data center tax breaks lack accountability due to Michigan Economic Development Corporation (MEDC) oversight.**

A track record of subsidy failures:

- \$715M in SOAR incentives to Gotion in Big Rapids for electric vehicle (EV) battery manufacturing has resulted in a defunct project, 270+ acres in Green Charter Township owned by a Chinese company, and over \$23M in lost state investment.
- \$5M in SOAR funding to LEAP to create a “build ready site” in Eagle Township has resulted in a defunct project, and \$5M in taxpayer funding wasted.
- \$50M in SOAR funding proposed for the Copperwood Mine in Gogebic County drew hundreds of thousands of protest signatures, and hundreds of protesters to the Capitol.
- The SOAR legislature, which was passed with broad bipartisan support in 2021, was eliminated from the state's 2026 budget due to its unpopularity.
- Last fall, Michigan House and Senate Republicans introduced competing legislation to dismantle the agency responsible for disbursing and managing SOAR funding: the Michigan Economic Development Corporation.

Subsidies have also failed at job creation:

- “The state has pumped hundreds of millions of dollars into 54 projects that, so far, have yet to create a single job,” according to Bridge Michigan in April 2025
- State job subsidies have a 91% failure rate, according to Michigan Capitol Confidential in December 2024.

Lack of contract accountability:

- Like SOAR funding, these data center tax breaks are approved and overseen by the MEDC.
- During testimony heard at MI House Oversight Subcommittee on State Subsidies and Corporate Investments, MEDC officials openly admitted that the legislature makes it unclear who, exactly, is responsible for holding corporate grantees accountable to the terms of their contract, or how the terms are to be enforced.

The MEDC has a track record of fraud, corruption, and gross lack of accountability. It has demonstrably failed to regulate SOAR contracts. **Why would we trust the MEDC to administer tax breaks for data centers?**

Over the last three years, Michigan residents have made themselves clear on the subject of large taxpayer subsidies for large corporations. **Subsidizing multi-billion dollar, multinational corporations with billions of taxpayer dollars is not what Michiganders want.**



We Need Due Diligence—i.e: a Moratorium

HB 5594-5596: Data Center Regulation Act (statewide moratorium)

Michigan’s local zoning, state regulations, and utilities are **not ready for the volume and pace** of hyperscale data center buildout that’s currently proposed. The proposed infrastructure buildout and resource consumption **demands thoughtful strategy, not a “build fast and break things” approach.**

In order to perform proper due diligence on these massive projects of consequence, **Michigan’s municipalities, regulators, and legislators need time.** A statewide moratorium would help to buy that necessary time.

Time for townships and counties to adopt proper zoning for AI data centers.

- Current local zoning ordinances don’t have language to accurately describe, and therefore regulate, hyperscale (i.e. AI) data centers and their activities, because they’re new technology.
- Many local elected officials don’t understand what hyperscale data centers entail, nor their full potential impacts on the community.
- Many AI data centers are currently relying on light industrial zoning, despite the fact that their activities match the standard definition of heavy industrial. This confusion is creating a legal gray area which could lead to a rash of lawsuits.
- Townships, counties, and municipalities need time to learn about hyperscale data centers and to incorporate the prospect of them into their zoning appropriately.

Time to learn about impacts on Michigan’s water, energy, and environment.

- Michigan has **no comprehensive framework for assessing cumulative water demand** from multiple industrial facilities on shared groundwater resources. This needs to change.

- Michigan needs a mechanism—whether through an empowered MPSC, a new coordinating body, or legislative mandate—for evaluating the cumulative energy infrastructure impacts of data center developments across the state. This should include mandatory cumulative impact assessments before MPSC approves utility infrastructure investments to serve large new loads.
- Closed-loop data centers, dry cooled gas turbines, modular nuclear and micro nuclear are all new technologies, and much of the information that’s being presented by developers is speculative. More research is required to understand their impacts.
- Environmental and public health impacts of noise pollution and wastewater discharge need to be explored.

Time to develop a consistent energy & climate strategy.

- The current system allows developers to build on-site, behind-the-grid energy generation, such as gas turbines, while avoiding meaningful regulatory oversight. Data centers should be subject to the same environmental review and public disclosure requirements as grid-connected generation.
- If data center demand growth strains the grid, it could activate PA235’s off-ramp provision, which would roll back clean energy mandates and trigger a free-for-all by energy developers. Michigan’s energy and climate policies should be set strategically and deliberately, not by weaponizing legislative loopholes.
- Michigan needs to make a strategic, thoughtful energy plan, not fall into the most expensive, dirtiest option out of default.



Water and Residential Ratepayers Need Transparency & Protection

HB 5399: Data Center Non Disclosure Agreement Ban

SB 761: Limit massive water consumption

SB 762: Require data centers to report water and energy use

SB 763: Prevent utilities from passing infrastructure costs to residents

There's no place for NDAs in local municipal business (HB 5399)

- These data center developers are demanding local officials sign NDAs in order to learn any information about the projects. It's clear these NDAs are being used to hide project details from the public, skirting transparency.
- Water and energy usage of these proposed AI data centers is often hidden behind nondisclosure agreements.
- These NDAs are destroying public trust.

Michigan's aquifers need to be protected (SB 761)

- Data centers and their power plants don't draw from Lake Michigan — they draw from local aquifers, wells, and municipal systems. Multiple facilities concentrating in southeast and west Michigan, including the Grand Rapids corridor can stress specific watersheds even as the Great Lakes remain abundant.

Data centers need to be accountable for water and energy use (SB 762)

- Facilities consuming this much water and energy should be legally required to report their consumption of both to state agencies.

Residents should NOT foot the bill for data centers' energy buildout (SB 763)

- Under current regulation, new transmission lines and infrastructure added under the MISO Transmission Expansion Plan (MTEP) are NOT paid for by the developer. MTEP cost is allocated to all customers.
- Energy infrastructure planning decisions are based in part by anticipated generation or load growth. It's clear that some developers are playing games by proposing big projects, then cancelling them – influencing the grid planners to expand on the public's dime, not the developer's.
- Data center developers should foot the bill for any and all grid expansions which they require.



Fix Climate Energy Policy

Repeal PA233

Pass Community Solar legislature

Battery energy storage systems (BESS) should be regulated locally

- BESS sites often accompany AI data center developments due to their high energy usage and baseload requirements.
- BESS sites are notorious fire hazards, which can toxify the air and water of entire communities.
- PA233 prevents local townships and municipalities from regulating the zoning and placement of these BESS sites, placing this authority in the hands of a three-person, appointed board.

PA233 was a mistake

- Stripping local townships of zoning control is no energy solution. If utility-scale wind and solar projects were good for communities, then communities wouldn't be forced to receive them.
- Utility-scale wind and solar projects are irrevocably destroying Michigan farmland and habitat at an alarming rate—and Michigan taxpayers are NOT happy about it.

Michigan can't have sensible climate policy without Community Solar

- The climate policy Whitmer signed in 2023 made zero allowance for community wind and solar—i.e. wind and solar which is directly affixed, and which provides behind-the-meter energy generation to homes and businesses.
- Community Solar has been proven to dramatically lower energy costs for residents and businesses.
- Community solar does not require costly new transmission lines and other grid infrastructure upgrades.
- Passing legislation which allows community solar will increase available energy, lower costs for ratepayers, and help reach climate goals by lowering carbon emissions.



Concerns with AI Data Centers

Background info

Water consumption & contamination

- AI data centers consume 1-10 million gallons of water per day.
- Michigan residents and businesses are already experiencing wells and ponds going dry, due to consumptive use.

Energy consumption

- Hyperscale data centers use 200MW to 1.4GW per day.
- DTE and Consumers Energy want to provide 12.8 gigawatts of power to AI data centers—the equivalent of adding seven major cities to Michigan’s energy grid.
- This load will require many new polluting gas turbine and nuclear power plants, as well as battery energy storage systems (BESS), which are notorious fire hazards.
- This kind of strain and additional load on the grid has been known to cause rate spikes, distortions, and intermittent outages for residents and businesses.

Pollution & waste

AI data centers:

- discharge wastewater into local streams
- emit noise pollution in the form of audible buzzing and electromagnetic frequencies (EMF), between 55 to 100 decibels, which is disruptive to public health and especially can be painful to those with sound sensitivities and/or neurodivergencies
- pollute the air with nitric oxide (NO) from backup gas turbine generators
- cause light pollution which disrupts residents, wildlife, and the migratory patterns of birds

- require electronic equipment which must be replaced every 2-5 years, creating a steady supply of toxic waste

Additionally:

- Neighbors to a Meta AI data center in Georgia are claiming they “can’t drink the water” due to contamination, and they’re not alone; Amazon and others are being linked to an influx of rare cancers.
- Water replenishment initiatives proposed by data center developers would toxify our food and watersheds with non potable wastewater, or they are based on land banking and credit systems which have proven to be ineffective.
- Neighboring farmers are concerned about the impact of noise pollution on animals; noise pollution from exhaust fans at 75 decibels stresses dairy cows and decreases milk production. Exposure to 85 decibels causes cows to stop producing milk and causes lasting health problems to poultry.

For sources & further research, please visit:

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