Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

March 18, 2026

TO: Senators Hesselbein and Habush Sinykin
State Capitol

FROM: Sydney Tarnow and John D. Gentry

SUBJECT: Sales Tax Exemption for WEDC Certified Data Centers

This memorandum provides information regarding qualified data centers that have been certified by the Wisconsin Economic Development Corporation (WEDC) as eligible to make sales tax exempt purchases of certain property and items used to construct, operate, or renovate a qualified data center. The exemption was created under 2023 Act 19 (the 2023-25 biennial budget act).

Sales Tax Exemption. Under Act 19, a business, and certain contractors contracting with that business, that purchases certain property for a qualified data center certified by WEDC is eligible for state and local sales and use tax exemptions for eligible costs. The exemption applies to three main "eligible costs." The first eligible cost includes the price of property used solely with building and operating the data center. The property includes the sales price of various items for computer servers, networking, energy systems, security systems, and electricity. The second eligible cost includes the price of property associated with building water cooling or conservation systems used exclusively to cool or conserve water for data centers. The systems include the price of various items such as chillers, refrigerant piping, water softeners, fans, ducting, and filters. The third eligible cost includes the price of property sold to a construction contractor that, in fulfillment of a real property construction activity, transfers the property to the owner when it becomes a component of the data center.

A "qualified data center" is one or more buildings or an array of connected buildings owned, leased, or operated by the same business entity (or its affiliate) and for which all of the following apply: (a) the buildings are rehabilitated or constructed to house a group of networked server computers in one physical location or multiple locations in order to centralize the processing, storage, management, retrieval, communication, or dissemination of data and information; and (b) the buildings create a “minimum qualified investment” in this state within five years from the certification date of at least $50,000,000, $100,000,000 or $150,000,000, depending on the population of the county in which the data center is constructed.

WEDC Certified Data Centers. WEDC enters into a contract with the business entity to certify the qualified data center. The certification includes a description of the geographic location or locations and buildings of the qualified data center and an identification of the business entity. To date, WEDC has certified four data centers as eligible for the Act 19 sales and use tax exemption. Table 1 shows the business entities certified, the date of certification, the location of the data center projects, and planned expenditures as detailed under its respective contracts, amendments, WEDC staff reviews, and performance reports.

TABLE 1

Businesses under Qualified Data Center Contract with WEDC

Business Entity	Certification Date	Location of Project	Planned Expenditure	Min. Qualified Investment
Microsoft	October 1, 2023	Mount Pleasant, WI	$1,000,000,000	$150,000,000
Epic Hosting, LLC	September 24, 2024	Verona, WI	347,000,000	150,000,000
Degas LLC (Meta)	February 18, 2025	Beaver Dam, WI	837,800,000	100,000,000
Green Chile Ventures, LLC (Oracle)	October 31, 2025	Port Washington, WI	150,000,000	100,000,000

Under its policies and procedures, recipients are required to annually submit a performance report documenting specific project activities, as well as any other contract deliverables for the lesser of five years or until the minimum qualified investment amount is achieved. The contracts also include goals for planned expenditures, but such expenditures are not required above the minimum qualified investment in order to qualify for the sales tax exemption. Failure to meet the goal does not constitute a breach of the contract. WEDC annually selects awards on a sample basis for an audit. All backup to the performance report and financial records are required to be maintained by the recipient for a period of at least three years after the last performance report is due. WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

If WEDC certifies a qualified data center and the data center fails to satisfy the minimum qualified investment requirements in the contract, WEDC is required to revoke the certification, subjecting the business to recapture of tax benefits. WEDC will recapture a percentage of the qualified investment made based on the combined total of the state, county, and local sales tax rates applicable to the location of the data center. WEDC may grant an extension of time within which the qualified data center may avoid revocation by satisfying the applicable qualified investment requirement.

Estimated Foregone State Tax Revenue. Based on discussions with the Department of Revenue (DOR), it is estimated that, for every $1 billion in project costs, $40 million in forgone state sales tax revenue is associated with initial construction and IT equipment purchases for the project. Once the project is completed, an additional $10 million of foregone revenue is estimated on an annualized basis for ongoing costs (electricity and equipment replacement).

Unlike other business tax credit programs administered by WEDC, the data center sales tax exemption does not require the company to enter into a contract with WEDC to make qualifying investments in a specific year. As a result, WEDC does not have information on when, or in what amount, data center construction expenditures will be made prospectively in a specific year.

As noted, qualified data centers certified by WEDC are required to annually submit a performance report documenting specific project activities, as well as any other contract deliverables for the lesser of five years or until the minimum qualified investment amount is achieved. Expenditures reported to WEDC that were incurred in 2024 and 2025 are shown in Table 2. Microsoft met the required minimum qualified investment and so is not required to submit additional reports after 2024.

TABLE 2

Expenditures Reported to WEDC
(In Millions)

Business Entity	2024	2025
Microsoft	$262.5	N/A
Epic Hosting, LLC	8.7	$89.1
Degas LLC (Meta)	-	215.3
Total	$271.2	$304.4

The estimated foregone sales tax revenue related to these expenditures, based on the assumptions mentioned above, are shown in Table 3. Note that the actual revenue reduction through 2025 will be greater than shown by an unknown amount, as: (a) Microsoft will not report expenditures for 2025; and (b) Green Chile Ventures, LLC has not, to date, submitted a 2025 expenditure report.

TABLE 3

Estimated Foregone Sales Tax Revenues Based on Submitted Expenditure Reports
(In Millions)

Business Entity	2024	2025
Microsoft	$10.5	*
Epic Hosting, LLC	0.3	$3.6
Degas LLC	-	8.6
Green Chile Ventures, LLC	N/A	*
Total	$10.8	$12.2*

*Annual report data for 2025 not available. Total spending is shown only for currently available reports.

Announcements made by companies with certified data center projects suggest that total investment in such projects will far exceed the planned investments outlined in Table 1 and the expenditures shown in Table 2.

Microsoft. Microsoft has announced a number of data center projects located in and around Mount Pleasant, Wisconsin. The first data center, to which Microsoft is expected to invest $3.3 billion, is on track for completion in early 2026. A second data center was announced in September, 2025, to which Microsoft has pledged $4 billion in investment over the next three years (through 2028). In January, 2026, the Mount Pleasant Village Board approved site plans from Microsoft for 15 additional data centers located across two new campuses. Total investment of $13.3 billion was announced for these projects. Microsoft can now submit final civil engineering plans and file building permits for these data centers. A construction timeline for the project is not currently known. In total, Microsoft has committed $20.6 billion to Wisconsin data center projects, well above the $1 billion planned investment under its contract with WEDC and above the $262.5 million in expenditures reported to WEDC for 2024.

Oracle. In October, 2025, OpenAI, Oracle, and Vantage Data Centers announced plans to invest more than $15 billion in a data center campus in Port Washington, Wisconsin. The initial phase of the project, with an estimated total development cost of not less than $8 billion (as specified in the signed development agreement between the City of Port Washington and Vantage), broke ground in December, 2025, and is anticipated to be completed in 2028.

Meta. In November, 2025, Meta announced its $1 billion data center project will be located in Beaver Dam, Wisconsin, and anticipates it will come online in 2027.

Epic Hosting, LLC. While announcements from Epic Hosting, LLC are not available, the company became certified by WEDC in September, 2024, and reported a planned investment of $347 million. Through December, 2025, Epic Hosting has reported total investment to date of $97.8 million. To remain certified, the company is required to make a minimum investment of $150 million. Epic Hosting is expected to file another expenditure report in 2026, as it has not yet met the minimum investment.

Estimated Foregone State Sales Tax Revenues of Announced Projects. The announcements and planned investments from these four certified companies combine for a total investment of more than $36.9 billion, spread over the life of each project (currently planned to occur between 2024 and 2028). It is estimated that an investment this size would result in $1.5 billion in initial foregone state sales tax revenue. Additional foregone state sales tax revenue of $369 million on an annual basis is estimated once these projects are completed. Expenditures eligible for the state tax exemption would also be exempt from local sales and use taxes, resulting in forgone county, city, and premier resort area tax collections, if applicable.

We hope this information is helpful. Please contact us with any questions.

ST/JG/ml