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Are data centers an economic boon for Texas? We break it down

By **Eleanor Dearman**

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Texas lawmakers dove into data center economics during a Monday finance committee hearing, where senators weighed the costs and benefits of the rapidly growing industry.

“I personally think that the data centers benefit more from Texas than Texas does from the data center,” said Sen. Donna Campbell, a New Braunfels Republican, during the meeting.



Campbell and other committee members were meeting to [discuss Texas' sales tax exemption for certain data centers](#). The incentive has been credited with helping lure the industry to the state, but there have been bipartisan calls for its repeal amid public outcry over concerns about noise and water and power use.

Dan Diorio, the executive vice president of state policy and government affairs for the Data Center Coalition, pitched the industry's presence in Texas as an economic boon, but some lawmakers seemed skeptical as they discussed the tax exemption and the industry's broader effects in Texas.

"These are long term investments that provide meaningful benefits to the Texas localities where they operate by creating high-quality jobs, generating critical tax revenues, supporting workforce development and contributing to local economic growth," Diorio said.

What are the economic effects? Here's what to know.



Texas data center tax revenue

The sales tax exemption in question began after the passage of a 2013 law and was expanded in 2015 to include large data centers.

Texas is projected to miss out on \$3.3 billion in sales tax revenue in the 2028-29 biennium compared to \$14.6 million 2014-15 — a cost that the finance committee's chair, Sen. Joan Huffman, [has called unsustainable](#).

At the start of the hearing, Huffman, a Houston Republican, said lawmakers are weighing whether the exemption's return justifies the tax revenue Texas is losing out on.

“No tax exemption should operate on autopilot,” she said.

Brad Reynolds, the chief revenue estimator for the Texas comptroller's office, told senators there are 138 centers getting the exemption as of July 21. There were three in 2014, according to the office's presentation.



The [requirements to get the tax break](#) include:

- Creating between 20-40 full-time, permanent jobs — depending on the center's size — in the county where the center is based. The jobs must pay at least 120% of the county's average weekly wage.
- A capital investment commitment of at least \$200 million to \$500 million over five years, depending on the size of the center.
- The exemption only applies to data centers used exclusively by one company.
- Whether the exemption extends to local sales tax or only state sales tax depends on the data center's size.

Diorio from the Data Center Coalition told the senators that data centers contributed \$65.8 billion to Texas' GDP in 2024, [citing a report](#) from PwC that the coalition commissioned. The Data Center Coalition advocates on behalf of its member companies, which include Google, Amazon Web Services, Meta and Microsoft.

Data centers directly and indirectly contributed \$2.2 billion in state tax revenue and \$2.3 billion local tax revenue in 2024, according to the report. Diorio said those totals are net of incentives.





“This helps fund schools, roads, public safety and other essential services,” Diorio said.

Texas data center job creation

Diorio, again citing the PwC report, said the data center industry directly supported more than 103,000 jobs.

The data center industry supported 47,604 jobs and \$1.9 billion in wages in Texas during the third quarter of 2024, according to [a report from the Bureau of Economic Geology](#) at The University of Texas at Austin.

During the hearing, Reynolds from the comptroller’s office explained that the office has completed or is in the process of auditing 20 of the 138 data centers receiving the tax break that have reached the five-year mark. Of those 20, six were in compliance with the investment and job creation requirements and six were not, he said.

One of the six non-compliant centers voluntarily came forward because they weren’t going to meet the investment requirement, he said. Another center wasn’t large enough to qualify.

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The remaining four didn't create enough jobs, Reynolds said.

"These are highly capital intensive projects, and to be unable to justify employment of even 20 people on a permanent basis at one of these things tells you how little employment is really stemming from this — at least in terms of direct employment," he said.

Diorio later countered that data centers that haven't been audited are likely "well over" the minimum required for the exemption.

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