

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Computer Services and Data Processing Tax Exemption**

## **Draft Evaluation**

**September 30, 2026**

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# **Key Findings and Recommendations**



## Overview

The Oklahoma Computer Services and Data Processing Tax Exemption exempts the purchase of machinery and equipment by persons and establishments primarily engaged in computer services and data processing from state sales and use taxes. These entities must derive at least 50 percent of their annual gross revenue from the sale of a product or service to an out-of-state buyer or consumer if they are defined under Industrial Group Numbers 7372 and 7373 of the Standard Industrial Classification Manual, or, if they are defined by Industrial Group Number 7374 and derive at least 80 percent of their annual gross revenues of a product or service to an out-of-state buyer or consumer. These are classification codes largely covering computer and technology services industries, including data centers.

The exemption is a primary program that the Oklahoma Department of Commerce advertises to the data center industry.<sup>1</sup>

## Recommendation: Retain with modifications

### Key Findings

- **Use of the Computer Services and Data Processing Tax Exemption has been low but has grown modestly in recent years.** Between 2014 and 2025, annual exemptions issued ranged from zero to eight, with the highest utilization occurring in 2019. Following a decline during the COVID-19 pandemic, exemption counts have slowly recovered, reaching five in 2023 and six in 2025.
- **Most exemptions have been issued to entities deriving at least 80 percent of gross revenues from out-of-state buyers,** with five exemptions issued to the 50 percent threshold category across the review period of 2014 to 2025.
- **The number of data center establishments in Oklahoma increased by a compound annual growth rate (CAGR) of 13.5 percent between 2015 and 2025, outpacing the 12.1 percent national CAGR.**
- **Oklahoma's 6.2 cents per kilowatt hour industrial electricity rate is second lowest in the nation.** Trailing only New Mexico, Oklahoma is well below the national average of 8.7 cents. This is a meaningful comparative cost advantage for data center operators.
- **Oklahoma's exemption is less structured than most comparable states.** Of the 17 comparable state programs reviewed, the majority impose minimum investment requirements as a condition of qualification, ranging from \$25 million to \$250 million. Oklahoma imposes no minimum investment threshold, no job creation requirement, and no facility size requirement. While this reduces barriers to entry, the state cannot direct exemptions toward larger, higher-impact projects. It also has no mechanism to prioritize or evaluate the relative economic return of individual claims.
- **The national landscape for data center tax incentives has shifted materially in 2026.** Multiple states have taken action to pause, cap, or repeal comparable exemptions amid concerns about grid stability, electricity costs for consumers, and foregone tax revenue. Arizona, Illinois, Maine, Massachusetts, Nebraska, New Jersey, New York, Ohio, Texas and Washington have all taken or announced actions to restrict data center incentives during the current year.
- **Administrative processes do not track and collect useful data.** The Oklahoma Tax Commission (OTC) does not track the dollar value of purchases exempted with each certificate

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<sup>1</sup> Oklahoma Department of Commerce, "Oklahoma Data Center Industry Tax Incentives." Accessed electronically at <https://www.okcommerce.gov/wp-content/uploads/Data-Center-Industry-Tax-Incentives.pdf>



issued. As a result, the total foregone revenue associated with the exemption cannot be determined without auditing each recipient individually. The OTC can identify which entities hold active exemption certificates, but has no visibility into the scale of purchases being made under those certificates in any given year. This makes it impossible to precisely assess the program's fiscal impact.

#### **Recommendation: Reconfigure**

- **Require the OTC to collect information on the dollar value of exempt purchases from certificate holders.** This data would better allow for the fiscal impact of the program to be calculated and provide more information for lawmakers and evaluators on what items are being purchased that are exempt from sales and use tax. Additionally, understanding the fiscal impact will allow policymakers to decide if the cost of the program justifies its continued use.
- **Explore new standards to be required in order to receive the incentive.** Oklahoma should consider new requirements in order to take the incentive, including requirements being implemented in other states, such as limiting water consumption and data centers supplying their own electricity.



# Introduction



## Oklahoma Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created in 2015 via HB 2182. The Commission is directed to produce objective evaluations of the State of Oklahoma's wide array of business incentives. The Commission is comprised of five voting members, with each appointed by the Governor, President Pro Tempore of the Senate, Speaker of the House of Representatives, Oklahoma Economic Development Partnership, and the Oklahoma Accountancy Board. Representatives of the Department of Commerce, the Office of Management and Enterprise Services, and the Oklahoma Tax Commission serve as ex officio (non-voting) members.

Under the enabling legislation, each of the State's business incentives<sup>2</sup> must be evaluated once every four years<sup>3</sup> according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on investment, and effectiveness of administration, as well as criteria specific to each incentive.

Since the Commission's inception, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed. The reports also generally include recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

In April 2026, SB 1990 was signed by Governor Stitt. SB 1990 revised the Incentive Evaluation statute to include additional requirements for the incentive evaluations. Most notably, these were:

- Analyze whether a business receiving the incentive would likely have taken any action required to receive the incentive in the absence of the incentive;
- Broaden the comparison of results of the incentive to other state of Oklahoma incentives or economic development strategies to also include other states;
- An assessment of whether the incentive furthers a strategic economic goal or an industry within this state;
- An assessment of whether the incentive creates a competitive advantage for Oklahoma by evaluating the overall effectiveness of the incentive at a macroeconomic level.

The SB 1990 statutory changes took effect on August 13, 2026. The PFM project team has, to the extent possible, taken them into consideration during the 2026 evaluation process. They will be more fully incorporated into the 2027 incentive evaluation process.

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<sup>2</sup> The statute defines a business incentive as "a tax credit, tax exemption, tax deduction, tax expenditure, rebate, grant, or loan that is intended to encourage businesses to locate, expand, invest, or remain in Oklahoma, or to hire or retain employees in Oklahoma."

<sup>3</sup> The statute provides the Commission the authority to set a threshold and choose to exempt from evaluation incentives that do not meet this threshold for foregone revenue or expenditures. That threshold is currently set at \$1.0 million.



## Summary of 2023 Evaluation Findings and Recommendations

The Computer Services, Data Processing, and Research and Development Tax Exemption was first reviewed by the Commission in 2023. Significant findings and recommendations from PFM's program evaluation are summarized in the following table:

**Table 1: Summary of 2023 Evaluation Findings and Recommendations**

| Evaluation Category              | Significant Finding(s)                                                                                                               |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Overall Findings                 | Current demand for the program is low                                                                                                |
| Fiscal and Economic Impact       | As the program had not been used in the previous study period, the previous report did not include an economic impact analysis.      |
| Future Fiscal Impact Protections | Oklahoma has low average electricity costs, second lowest only to New Mexico.                                                        |
| Administrative Effectiveness     | The State is currently unable to easily assess foregone revenue or dollar amount exempted without significant administrative effort. |
| Retain, Reconfigure or Repeal    | Retain                                                                                                                               |
| Other Recommendations            | None.                                                                                                                                |

*Source: State of Oklahoma Incentive Evaluation Commission, Tax Incentive Evaluation Report 2023*

Based on PFM's analysis and consideration of other factors, the Commission voted 3-0 to approve PFM's recommendation to retain the program.

## 2026 Criteria and Evaluation Approach

A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation and as noted previously, the provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation.

In the case of the Computer Services and Data Processing Tax Exemption, the program incentivizes the creation of new employment in the computer services and data processing industry.

In addition to this goal and the general evaluation factors discussed in the preceding section, the Commission has adopted the following criteria to assist in a determination of program effectiveness:

- Change in employment for eligible entities before/after credit
- Distribution within the categories of number of full-time employees claimed
- Change in payroll for eligible entities before/after credit
- Average wage for eligible entities before/after credit
- State return on investment

To conduct its 2026 review of the Computer Services, Data Processing, and Research and Development Tax Exemption (based on the criteria described in the preceding), the PFM project team conducted the following activities:

- Submitted a data request to the Oklahoma Tax Commission (OTC)
- Completed subject matter expert/internal stakeholder interviews with representatives from the OTC and the State, Oklahoma City, and Tulsa Chambers of Commerce; and
- Benchmarked Oklahoma to other states.



# Industry Background

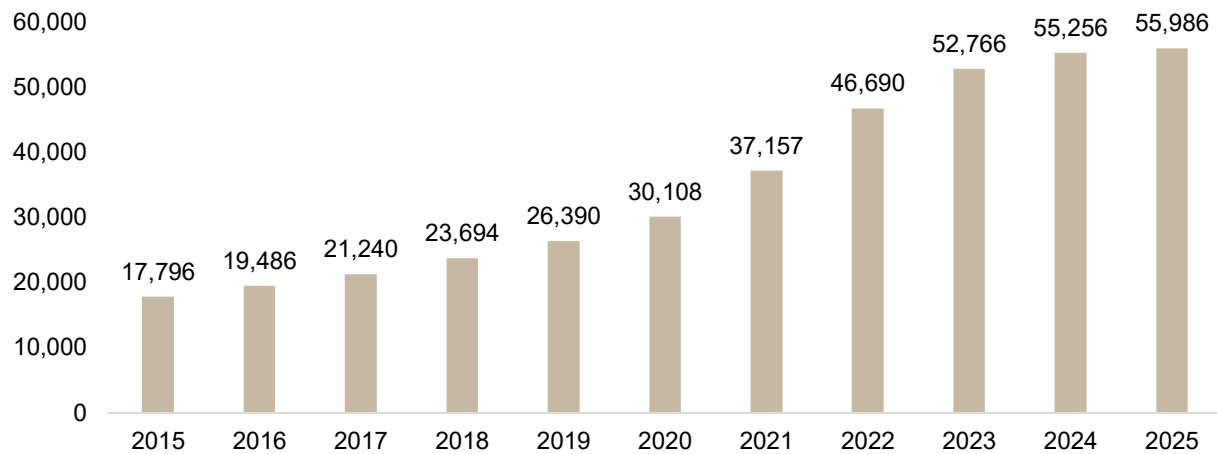


## Background and History

### Data Centers

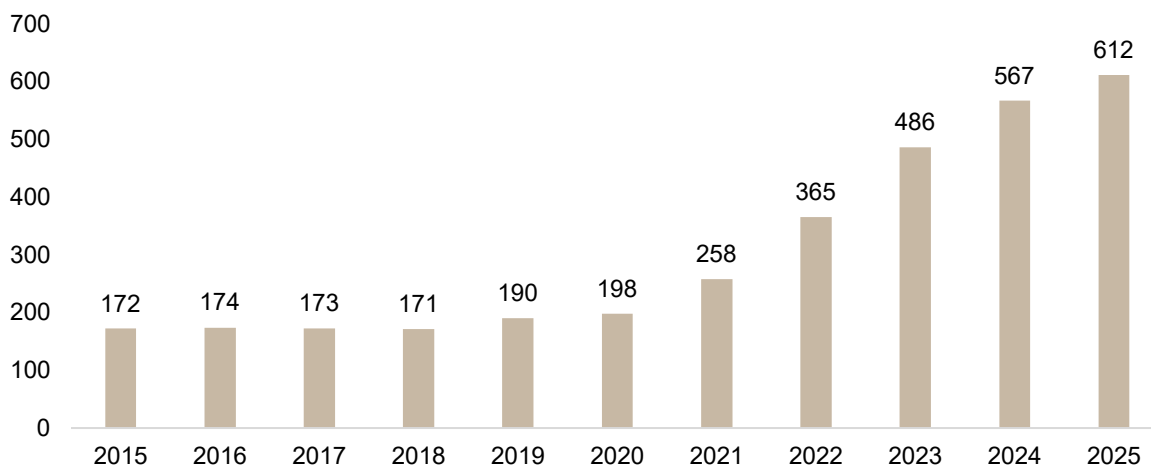
The data center industry has experienced significant growth in recent years, especially since 2012. The number of data center establishments in the US increased by 215 percent between 2015 and 2025, representing a compound annual growth rate (CAGR) of 12.1 percent. Oklahoma has outpaced the nationwide growth in data center establishments, with a CAGR of 13.5 percent during the same period, as shown by Figure 2. Improvements in technology during this period, the rise of artificial intelligence, and the growth in cloud computing are notable factors driving this growth.<sup>4</sup>

**Figure 1: Data Center Establishments in the US, 2015-2025**



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, NAICS 518

**Figure 2: Data Center Establishments in Oklahoma, 2015-2025**



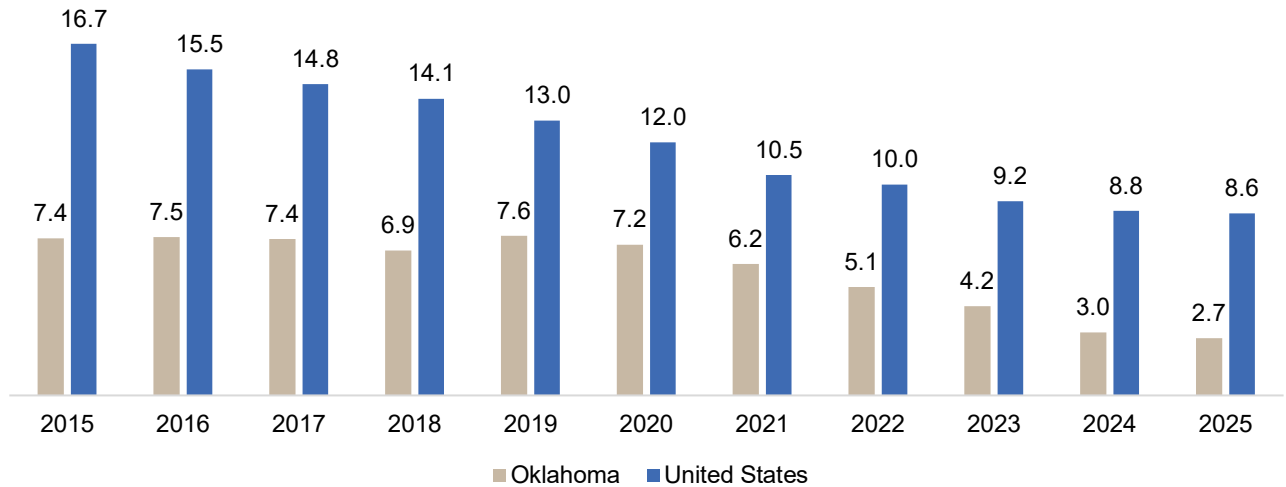
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

<sup>4</sup> Cloud computing is generally defined as a means of storing and accessing applications and data via the internet instead of local hard drives and file servers.



The capital-intensive nature of the industry is illustrated by the decline in employees per establishment in both the US and Oklahoma, even as the industry has grown rapidly since 2015. Employees per data center establishment in Oklahoma have decreased by a CAGR of 9.6 percent since 2015, a larger decrease in employment than the U.S. (a decrease of 6.4 percent).

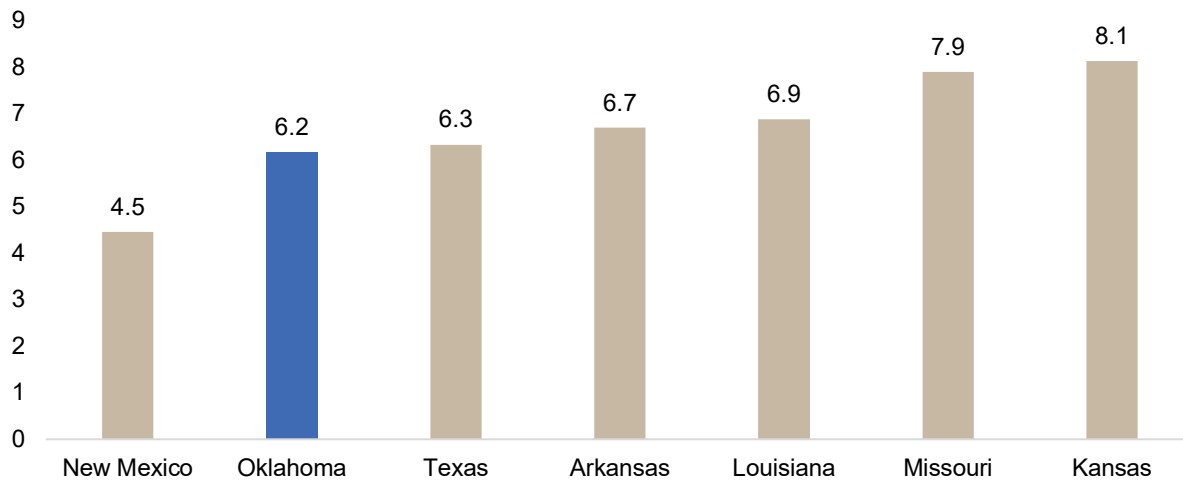
**Figure 3: Employees per Data Center Establishment, 2015-2025**



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

The cost of energy is an important location decision factor for data centers. Among neighboring states, Oklahoma has the second lowest industrial electricity rate and ranks as the second lowest in the nation, behind only New Mexico. This is well below the national average of 8.7 cents per kilowatt hour.

**Figure 4: Industrial Electricity Cost (Cents) per Kilowatt Hour, May 2026**



Source: US Energy Information Administration



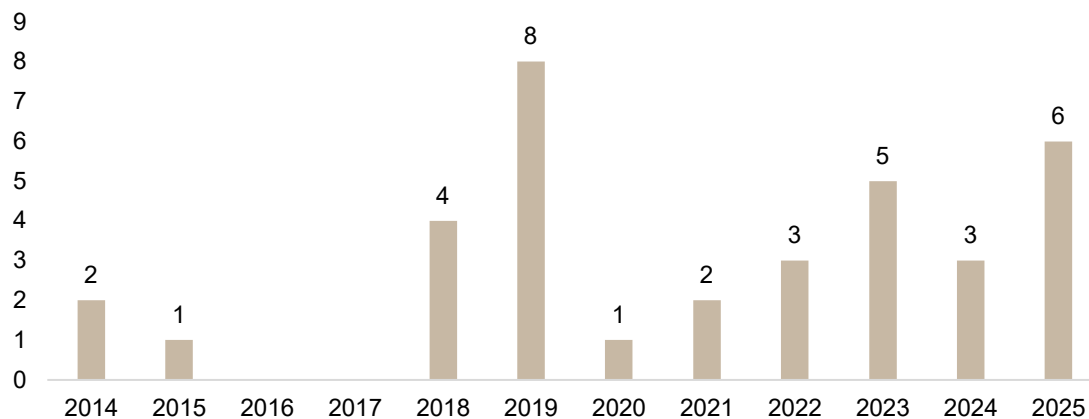
# **Incentive Usage and Administration**



## Historic Use

Figure 5 provides the total number of exemptions issued by year for the past 12 years.

**Figure 5: Exemptions Issued by Year, 2014-2025**



*Source: Oklahoma Tax Commission*

The OTC provided sales tax exemptions that have been issued across both statutory definitions of “qualified purchaser” (entities deriving 50 percent and 80 percent of revenue from out of state). Since 2014, there have been five exemptions issued to entities with 50 percent of sales to out-of-state buyers, with most of the exemptions issued to entities with 80 percent of revenue coming from out of state.

Prior to 2019, the exemption had a relatively low utilization but more recently has been accessed more regularly. This coincides with the rise of the data center industry. Still, usage has not been constant, with 2019 seeing the most exemptions issued, followed by a drop during the COVID-19 pandemic, with exemption numbers slowly approaching pre-pandemic levels.

Companies are prohibited from participating in the Computer Services, Data Processing, and Research and Development Tax Exemption if they participate in the Quality Jobs Incentive Program. The Quality Jobs Program provides quarterly cash rebates to companies within certain industries, specifically targeting manufacturing and certain service companies.<sup>5</sup> It is likely that many companies choose to participate in the Quality Jobs program rather than claim the computer services sales tax exemption, because it provides a better financial return from the State.

## Incentive Administration

The Computer Services and Data Processing Tax Exemption is administered by the OTC. Establishments wishing to claim the exemption must annually file an affidavit with the OTC stating the facility qualifies for the exemption and provide evidence around out of state revenue. The OTC then issues a certificate validating the exemption, which is valid from July 1 to June 30. The exemption must be renewed annually.

Where sales tax has already been collected and remitted on qualifying purchases, a qualified purchaser may seek a retroactive refund. To claim a refund, the purchaser must file within 36 months of the date of

<sup>5</sup> Oklahoma Commerce. Oklahoma Quality Jobs Program: 2026 Guidelines. Accessible at <https://www.okcommerce.gov/wp-content/uploads/Quality-Jobs-Guidelines.pdf>



purchase and include invoices showing sales tax paid, vendor affidavits confirming the tax was collected and remitted rather than refunded, and any additional OTC-required documentation. Refunds include all state and local sales tax paid plus accrued interest, with the interest rate tied to the three-month U.S. Treasury Bill rate on the first working day of each month. The refund pathway applies only where the total cost of eligible equipment equals or exceeds \$2 million and purchases occurred after the Act's effective date. The purchaser must also file a certification from the Oklahoma Employment Security Commission within 60 months of the first purchase to remain eligible.

The OTC does not automatically calculate or track the dollar amount of purchases being exempt with each certificate issued, which is a data limitation. Although the State can identify how often these exemptions are being requested and issued, as well as what entities are receiving them, there is no data around total foregone revenue as a result of the exemption unless each entity were to be audited.

### Business Incentives Best Practices

The PFM Project Team has established a set of best practices that can apply broadly to incentive program designs.<sup>6</sup> These are based on decades of experience evaluating programs professionally as well as reviewing the associated academic literature and evaluations of programs by State agencies or departments. A program can then be judged to either fully adopt, partly adopt, or not adopt a given practice.

The following table provides the project team's assessment of the Computer Services and Data Processing Tax Exemption's alignment with incentive program best practices.

**Table 2: Incentive Best Practice Alignment**

| Best Practice                                         |   |
|-------------------------------------------------------|---|
| Targeted to specific companies or industries          | ○ |
| Discretionary                                         | ○ |
| Leverage significant private capital                  | ○ |
| Limited duration / front-loaded benefits to 1-3 years | ● |
| State / Local conditions considered                   | ○ |
| Overcoming practical barriers to growth               | ○ |
| Transparency                                          | ○ |
| Accountability                                        | ○ |
| Cap on value of awards                                | ○ |
| Simple and understandable                             | ● |
| Sunset on program duration                            | ○ |

*Legend: Dark circle = full adoption, Light circle = partial adoption, Empty circle = limited adoption*

The exemption is broadly available to any qualifying computer services and data processing business that derives at least 50 percent of their annual gross revenue from the sale of a product or service to an out-of-state buyer or consumer if they are defined under Industrial Group Numbers 7372 and 7373 of the Standard Industrial Classification Manual, or, if they are defined by Industrial Group Number 7374 and derive at least 80 percent of their annual gross revenues of a product or service to an out-of-state buyer or consumer.

<sup>6</sup> Details on the best practices and their establishment can be found in the Appendices.



The computer services and data processing sector is an area of growing national economic importance, and this exemption aims to support business activity in that space by reducing the sales and use tax burden on qualifying purchases. The exemption has no duration limit, and its straightforward eligibility criteria make it simple to understand and administer.

However, the exemption doesn't match best practices in other areas. The OTC has no means of capturing the total amount of tax revenue exempted with each qualified affidavit filer, whereas other states require a large minimum investment amount before issuing exemptions. There is no aggregate dollar cap or sunset requirement, and there is no mechanism to prioritize or evaluate higher-impact investments.



# **Economic and Fiscal Impact**



## **Economic and Fiscal Impact**

Since this incentive was last evaluated, the exemption has seen renewed use, indicating that companies in the computer services and data processing industry are actively claiming the benefit. However, the Oklahoma Tax Commission (OTC) does not track the specific dollar amount of sales and use tax exempted under this program, nor does it collect data on the types of machinery or equipment purchased by claimants. As a result, it is not possible to calculate a precise fiscal cost to the state or to quantify the economic activity directly attributable to the exemption with the same specificity applied to other evaluations.

That said, some inferences can reasonably be drawn from the nature of the industries eligible for the exemption. Data centers and computer services operations are highly capital-intensive, typically involving large-scale purchases of servers, networking infrastructure, and specialized equipment, alongside significant construction and site development costs. Nationally, the data center industry has grown substantially in the past decade, and facilities of this type are generally associated with sizable capital investment even when direct employment figures are comparatively modest given the industry's capital-to-labor ratio. It is therefore likely that recent claimants have generated meaningful economic activity in the state, both through the initial capital outlay required to qualify for the exemption and through ongoing operations.

At the same time, several factors limit the extent to which this activity translates into broader in-state economic benefit. Eligible firms under this exemption are required to derive most of their revenue from out-of-state buyers, meaning the businesses claiming the credit are, by statutory design, exporting most of their output rather than serving the Oklahoma market directly. This suggests that while physical investment and any associated jobs occur within the state, the revenue-generating activity underlying that investment is largely disconnected from in-state demand. Absent more granular data from the Oklahoma Tax Commission on the amount of tax exempted, the specific purchases involved, and the employment associated with claimant firms, the evaluators cannot produce a reliable estimate of the exemption's net fiscal or economic impact for this evaluation cycle.

## **Effect on Business Behavior**

As previously noted, SB 1990 requires the incentive evaluations to consider “the extent to which the incentive changes business behavior, including whether the business receiving the incentive would likely have taken any action required to receive the incentive in the absence of such incentive.”

Business location, hiring and investment decisions rely on a combination of considerations, including market factors, worker availability, infrastructure, access to suppliers and customers, and a reasonable cost structure, which can include taxes. Incentives that lower costs, provide capital, or offer services are one factor among many that can influence business behavior.

The extent to which an incentive changes an individual business's behavior has been widely debated. Since incentives are just one factor among many influencing any given business decision, incentives rarely, if ever, are 100 percent responsible for a given investment. At the same time, it is unlikely that an incentive had absolutely no impact at all.

Based on a review of 30 different studies, Timothy J. Bartik of the W.E. Upjohn Institute estimated incentives probably affect between 2 percent and 25 percent of incented firms making business location,



expansion, or job retention decisions.<sup>7</sup> However, a discretionary incentive that includes a robust application and review process and requires regular reporting on milestone achievement is likely to affect behavior differently than a statutory tax break with few accountability mechanisms. Incentive programs with these design features may have a greater effect on investment decisions.<sup>8</sup> While it is difficult to quantify the impact of an incentive to an individual firm's decision making, evidence does suggest that certain factors do influence both business choice and incentive effectiveness. Nevertheless, Bartik concluded, "Overall, the research literature on incentives' "but for" effects is not as rigorous as one might hope."<sup>9</sup>

Given the challenges of determining the specific extent to which an individual incentive changes individual business behavior, the evaluations consider the factors that are most likely to indicate that the incentive influenced business decisions. These include:

- **Features of the incentive offer.** The relative size of the incentive benefit affects its impact<sup>10,11</sup> as do the incentive type and structure, leverage generated, timing of the application, and whether a firm is a first-time or repeat incentive recipient.<sup>12,13</sup>
- **Firm attributes.** Cost-sensitive or efficiency-seeking operations (such as manufacturing, call centers, and distribution centers) and foreign investors have also been found to be more likely to be influenced by the availability of incentives, as are companies for whom the incentive meets a specified need, such as project financing or support services.<sup>14</sup>
- **Details obtained in the application process or built into project eligibility requirements** that indicate need for or value of the incentive to the individual business.
- **Consideration of multiple investment locations.** Companies that have credibly considered multiple locations that are able to meet their operational needs or have functions that are mobile (that is, they do not need to locate in a specific place in order to meet their operational needs) are more likely to value state and local incentives in their decision process.<sup>15,16,17</sup>
- **Changes in desired outcomes documented by compliance and evaluation procedures.**

These factors indicate but do not definitively determine whether a business receiving the incentive would likely have taken any action required to receive the incentive in the absence of such incentive. Because the incentive's precise impact on individual business decisions and therefore the outcomes generated

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<sup>7</sup> Bartik, Timothy J. "But For' Percentages for Economic Development Incentives: What percentage estimates are plausible based on the research literature?" W.E. Upjohn Institute for Employment Research. 2018.

<sup>8</sup> "Michigan Business Development Program Effectiveness Study." W.E. Upjohn Institute and Center for Regional and Economic Competitiveness. January 2019.

<sup>9</sup> Bartik, 2018.

<sup>10</sup> James, 2013.

<sup>11</sup> Bartik, Timothy J. "Who Benefits from Economic Development Incentives? How Incentive Effects on Local Incomes and the Income Distribution Vary with Different Assumptions about Incentive Policy and the Local Economy." W.E. Upjohn Institute Technical Report No. 18-034. 2018.

<sup>12</sup> Foley, 1992.

<sup>13</sup> Lenihan, et al. "Developing an Evaluative Framework for Industrial Policy in Ireland: Fulfilling the Audit Trail or an Aid to Policy Development." Quarterly Economic Commentary. 2005.

<sup>14</sup> Tavares-Lehmann, 2016.

<sup>15</sup> James, Sebastian. "Tax and Non-Tax Incentives and Investments: Evidence and Policy Implications." Investment Climate Advisory Services of the World Bank Group. 2013.

<sup>16</sup> Jensen, Nathan M. "Exit Options in Firm-Government Negotiations: An Evaluation of the Texas Chapter 313 Program." Washington Center for Equitable Growth Working Paper series. 2017.

<sup>17</sup> Tavares-Lehmann, et al. "Rethinking Investment Incentives: Trends and Policy Options." 2016.



cannot be known, the Fiscal and Economic Impact Analysis for each evaluation also estimates a breakeven level at which the total benefits from the incentive program would have to be attributable to the incentive in order for the State to break even on its investment.

#### *Applying But for Considerations on the Computer Services and Data Processing Tax Exemption*

- **Features of the Incentive Offer:** The exemption carries no minimum investment threshold, no cap on benefits, and no duration limit. Peer states offering similar exemptions typically require between \$25 million and \$250 million in qualifying investment. The absence of any floor weakens the "but for" case considerably, since firms with no meaningful location flexibility can claim the benefit without any behavioral change. The exemption's incompatibility with the Quality Jobs Program may also disadvantage Oklahoma for the largest projects, where stacking multiple incentives is often expected.
- **Firm Attributes:** Data centers are capital-intensive and cost-sensitive, and electricity costs, land, fiber connectivity, water access, and grid capacity are the dominant site selection factors. Tax treatment matters, but it operates alongside these physical constraints rather than independently. The more fundamental problem is that the data center industry does not appear to need incentive inducement to invest. AI infrastructure demand has driven an unprecedented national surge in data center capital expenditure, with major hyperscalers committing to massive facility expansions across dozens of states simultaneously. These investments are being driven by compute demand, not tax policy.

Oklahoma's 13.5 percent compound annual growth rate in data center establishments is notable, but data center growth has accelerated broadly across the country, including in states without comparable exemptions.

- **Details Obtained in the Application Process:** Eligibility rests solely on an annual affidavit of out-of-state revenue, with no requirement that a firm demonstrate the exemption was material to its investment decision, no job or investment commitment tied to continued use, and no OTC mechanism to track the aggregate value of exemptions claimed. Without these mechanisms, the state cannot distinguish firms genuinely influenced by the exemption from those who would have made identical decisions regardless.
- **Consideration of Multiple Investment Locations:** Oklahoma competes with at least 37 states offering some form of data center incentive, and site selection is geographically mobile at the planning stage. However, firms expanding existing campuses, those with established Oklahoma operations, or those whose decisions were driven by grid or water access may have limited practical alternatives regardless of the incentive. For these firms, the exemption functions as a windfall rather than an inducement. Recent moratoriums in Arizona, Illinois, and Texas may have increased the relative attractiveness of Oklahoma's program for some operators, but there is no documented evidence in the OTC record of firms citing those moratoriums as a reason for choosing Oklahoma.

A significant number of states have recently moved to limit, pause, or restructure data center incentives, concluding that the industry will locate there regardless. Arizona, Illinois, and Texas have each imposed moratoriums or significant restrictions on new approvals, citing fiscal cost, water consumption, grid strain, and the view that demand has become largely location-agnostic at scale. Virginia, the largest data center market in the world, has engaged in sustained debate about whether its legacy incentive structure remains necessary given the concentration of infrastructure and connectivity that now drives location decisions independently.



- **Changes in Desired Outcomes Documented by Compliance Procedures:** No job or investment reporting is tied to continued use, and the OTC cannot track exempted dollars. Usage has risen alongside the data center boom, but this trend can't be tied specifically to the incentive.

The weight of available evidence suggests the "but for" case for this exemption is weak relative to other incentive programs. No investment floor, no accountability mechanisms, an industry expanding broadly across the country regardless of incentive availability, and the growing consensus among peer states that these incentives are no longer necessary to attract the sector all point in the same direction. The exemption may matter at the margin for smaller, cost-sensitive colocation providers with genuine location flexibility. But for the largest capital investments the program is presumably designed to attract, the evidence does not support a strong "but for" inference.



# **Goals, Strategy, and Competitive Considerations**



## Strategic Plan Alignment

The Computer Services and Data Processing Tax Exemption connects to Commerce's 2025 Strategic Plan for Community and Economic Development primarily through the "Regional Industry Targeting" and "Relevant Incentives" pillars. Information Technology, including datacenters and AI, is explicitly named as one of the seven statewide key industries the Department has identified for recruitment and retention, and the exemption is the Department's primary advertised incentive for this sector, directed specifically at the data center industry. The program's broad, formula-driven eligibility criteria and modest administrative burden reflect the plan's emphasis on maintaining a business-friendly environment, but the absence of an investment threshold or dollar cap sits uneasily alongside the plan's "Relevant Incentives" pillar, which calls for incentives that remain competitive with other states while protecting taxpayer dollars.

The exemption's alignment with the plan's ready sites and infrastructure priorities is more indirect. Data centers are highly capital-intensive facilities requiring substantial construction, power capacity, and site development, and Oklahoma's data center establishment count has grown at a 13.5 percent compound annual rate since 2015, outpacing the national rate of 12.1 percent. This growth trajectory supports the plan's broader goal of attracting high-capital-investment projects to the state, particularly as the plan separately identifies increases in large energy-demand projects, including AI datacenters, as an emerging economic development trend. However, because the OTC does not track the dollar amount of purchases exempted under this program, it is not possible to confirm the extent to which this industry growth is attributable to the exemption itself, as opposed to Oklahoma's competitive electricity costs or other locational factors the strategic plan also highlights as advantages.

## Macroeconomic Impacts and Competitive Advantage

At a macroeconomic level, the exemption's competitive positioning has strengthened somewhat by circumstance rather than by design. Oklahoma's low industrial electricity costs, the second lowest among neighboring states and well below the national average, are widely recognized as a primary driver of data center location decisions, and this cost advantage exists independently of the tax exemption itself. Layered on top of that advantage, Oklahoma's program remains stable, uncapped, and without a sunset date, while several peer states, including Arizona, Illinois, Ohio, Texas, and New York, have recently paused, restricted, or moved to repeal similar incentives amid concerns over grid stability and foregone tax revenue. Together, these two factors may make Oklahoma comparatively more attractive to data center operators evaluating locations today, even though the exemption's specific marginal contribution, separate from the state's underlying energy cost advantage, is difficult to isolate.

At the same time, the program's design limits the state's ability to demonstrate or quantify this competitive advantage. Because eligibility does not require job creation, minimum investment, or ongoing performance reporting, and because the OTC cannot calculate total foregone revenue without auditing individual claimants, the state lacks the data needed to verify whether the exemption itself, as opposed to low electricity costs or other locational factors, is a meaningful driver of the state's growing data center presence. Taken together, the exemption plausibly supports the state's strategic goal of building out a competitive information technology sector, but its lack of accountability mechanisms and reporting requirements make it difficult to substantiate a measurable macroeconomic return relative to more structured, better-tracked incentives elsewhere in the state's portfolio.



# Incentive Benchmarking



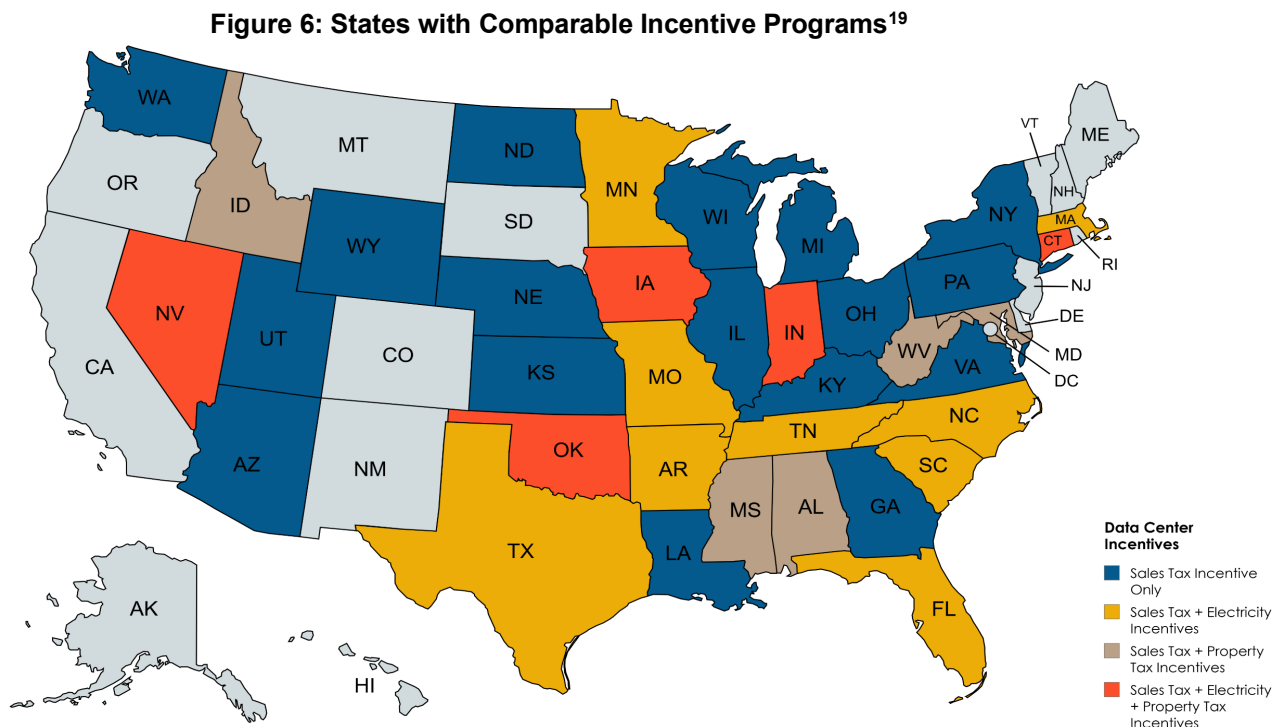
## Benchmarking

A detailed description of comparable state programs can be found in **Appendix A**.

For evaluation purposes, benchmarking provides information related to how peer states use and evaluate similar incentives. At the outset, it should be understood that no states are ‘perfect peers’ – there will be multiple differences in economic, demographic and political factors that will have to be considered in any analysis; likewise, it is exceedingly rare that any two state incentive programs will be exactly the same.<sup>18</sup> These benchmarking realities must be taken into consideration when making comparisons – and, for the sake of brevity, the report will not continually re-make this point throughout the discussion.

The process of creating a comparison group for incentives typically begins with bordering states. This is generally the starting point, because proximity often leads states to compete for the same regional businesses or business/industry investments. Second, neighboring states often (but not always) have similar economic, demographic or political structures that lend themselves to comparison. In the case of the Computer Services and Data Processing Tax Exemption, comparable programs were reviewed in 36 additional states nationwide.

The map below highlights the states included in the benchmarking analysis across type of tax benefit offered: sales tax exemptions only, a combination of sales tax and electricity incentives, a combination of sales tax and property tax incentives, and states with a combination of all three types of incentives.



<sup>18</sup> The primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs.

<sup>19</sup> National Conference of State Legislatures, “State Tax Incentives for Data Centers,” (April 2026). Accessed electronically at <https://www.ncsl.org/fiscal/subsidizing-servers-how-states-are-competing-to-attract-data-centers>



### *Minimum Investment*

Of the 17 comparable state programs reviewed, the majority have investment requirements as a condition of qualification. Investment minimums across the group range from \$25 million to \$250 million, with Idaho being the highest at \$250 million over 5 years, and Virginia requiring \$150 million paired with a job creation threshold. North Dakota takes a distinct approach, requiring a minimum facility size of at least 15,000 square feet rather than a dollar-based investment threshold.

### *Electricity Sales Tax Exemptions:*

Several states extend their exemptions beyond equipment and construction to cover electricity costs, a significant operating expense for data centers. North Carolina and South Carolina are among the states in this group offering electricity sales tax exemptions, making them particularly attractive from a long-term operating cost perspective. Minnesota previously offered an energy use sales tax exemption, though it has since been modified to exclude hyperscale data centers.

Additionally, the landscape for data center tax incentives has shifted materially in 2026, with many states moving to pause or repeal tax exemptions amid concerns over grid stability, consumer utility costs, and foregone tax revenue.

Recent examples of states or elected officials moving to amend or repeal tax incentives include:

- Arizona enacted a three-year moratorium on its data center sales tax exemption, running from July 1, 2026 through June 30, 2029.<sup>20</sup>
- Illinois Governor Pritzker announced a two-year suspension of state tax exemptions for new data center developments, effective July 1, 2026.<sup>21</sup>
- Ohio Governor DeWine directed the Ohio Tax Credit Authority to stop accepting new data center sales tax exemption applications while a newly formed Joint Data Center Committee studies the industry's impact.<sup>22</sup>
- Texas Governor Greg Abbott pledged to work with the state legislature in the upcoming 2027 legislative session to repeal sales tax exemptions and other incentives for data centers.<sup>23</sup>
- Nebraska repealed its exemption for data center equipment manufactured in-state for out-of-state use, and Governor Pillen separately ended access to data center incentives under the ImagiNE Nebraska Act.<sup>24</sup>
- Washington eliminated its sales and use tax exemption for server equipment and power infrastructure for urban data centers qualifying through refurbishment, effective July 1, 2026.<sup>25</sup>
- New York Governor Kathy Hochul recently signed an executive order imposing a one-year moratorium on new data centers using 50 megawatts or more of power and announced she would pursue legislation to repeal sales tax exemptions for large data centers.<sup>26</sup>

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<sup>20</sup> MultiState, "State Data Center Policy: Governors Restrict Tax Exemptions," (June 22, 2026). Accessed electronically at <https://www.multistate.us/insider/2026/6/22/state-data-center-policy-shifts-as-governors-impose-new-restrictions>

<sup>21</sup> Ibid

<sup>22</sup> Ibid

<sup>23</sup> Ibid

<sup>24</sup> Thomson Reuters, "Multistate Monitor: States Diverge on Data Center Tax Incentives," (August 2026). Accessed electronically at <https://tax.thomsonreuters.com/news/multistate-monitor-states-diverge-on-data-center-tax-incentives/>

<sup>25</sup> Ibid

<sup>26</sup> Ibid



- Delaware Governor Matt Meyer recently signed legislation requiring large data center developers to pay all infrastructure costs and barring data center energy costs from being paid for by residential ratepayers.<sup>27</sup>
- Maine enacted legislation excluding data centers from its Business Equipment Tax Exemption and Dirigo business incentive programs.<sup>28</sup>
- Nevada Governor Joe Lombardo recently signed an executive order requiring data center developers to pay the Local School Support Tax in full as well as protect local water supplies and electrical grids.<sup>29</sup>

### *Exemption Duration*

A number of states cap the length of time a facility can benefit from an exemption. Missouri limits exemptions to 10 years for expansions and 15 years for new facilities, while Minnesota offers a 20-year exemption, the longest in the group. Arizona, Illinois, Nevada, South Carolina, and Tennessee also impose duration limits, meaning businesses must plan around an eventual expiration of benefits.

### *Job Creation and Wage Requirements*

Job creation is a common condition for qualification across these programs. Georgia requires at least 20 new jobs, Idaho requires 30 or more at the county average wage, and Virginia requires 50 new jobs at 150% of the average wage, the highest bar in the group. Several states tie minimum wage thresholds to state or county averages rather than a fixed dollar figure. Nevada and North Carolina additionally require that exemption recipients provide health insurance to employees.

### *Square Footage Requirements*

Some states use facility size as a proxy for investment scale. Iowa, Minnesota, North Dakota, and Washington include square footage as part of their qualification criteria. Requirements across the group generally range between 5,000 and 25,000 square feet, serving as an additional way to ensure meaningful economic commitment from qualifying facilities.

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<sup>27</sup> WHYY, "Delaware governor signs legislation that aims to make data centers 'pay their fair share'" (August 2026). Accessed electronically at <https://whyy.org/articles/data-center-legislation-delaware>

<sup>28</sup> HP 452, LD 713, Maine State Legislature (April 2026). Available online at <https://legislature.maine.gov/backend/App/services/getDocument.aspx?documentId=124408>

<sup>29</sup> Governor Joe Lombardo Signs Executive Order Placing Guardrails on Data Center Development, Restoring Education Funding. (September 2026). Accessed electronically at <https://www.gov.nv.gov/press-releases/governor-joe-lombardo-signs-executive-order-placing-guardrails-on-data-center-development-restoring-education-funding/>



# Appendices



## Appendix A: Comparable State Programs, Data Center Incentives<sup>30</sup>

| State                       | General Sales Tax Incentive                                                                                                           | Sales Tax Extends to Electricity?                               | Property Tax Abatement                                                         | Citation                           |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------|
| <b>Alabama</b>              | Yes – tangible property used is exempt, including infrastructure                                                                      | No                                                              | Yes – for non-education state, county, and city property taxes, up to 30 years | Ala. Code § 40-9B-1 et seq.        |
| <b>Alaska</b>               | No incentive                                                                                                                          | No state sales tax                                              |                                                                                |                                    |
| <b>Arizona</b>              | Yes – deduction of gross proceeds from sale, use, installation, assembly, repair or maintenance of computer data center equipment     | No                                                              | No                                                                             | Ariz. Rev. Stat. § 41-1519         |
| <b>Arkansas</b>             | Yes – data center equipment and services, including construction and refurbishment, are exempt                                        | Yes – 'Electricity used' is exempt                              | No                                                                             | Ark. Code § 26-52-456              |
| <b>California</b>           | No incentive                                                                                                                          |                                                                 |                                                                                |                                    |
| <b>Colorado</b>             | No incentive                                                                                                                          |                                                                 |                                                                                |                                    |
| <b>Connecticut</b>          | Yes – buildings and structures, technology, and renovation costs are exempted                                                         | Yes – all electricity used by a qualified data center is exempt | Yes – exemption from property tax (chapter 203)                                | Conn. Gen. Stat. § 32-286          |
| <b>Delaware</b>             | No incentive                                                                                                                          | No state sales tax; may qualify for other business tax credits  |                                                                                |                                    |
| <b>District of Columbia</b> | No incentive                                                                                                                          |                                                                 |                                                                                |                                    |
| <b>Florida</b>              | Yes – 'data center property' is exempt, including property used in construction and cooling                                           | Yes – electricity used exclusively at a data center is included | No                                                                             | Fla. Stat. § 212.08(5)(r)          |
| <b>Georgia</b>              | Yes – 'high-technology data center equipment' is exempt, including technology and other materials like generators and cooling systems | No                                                              | No                                                                             | Offc. Code Ga. Ann. § 48-8-3(68.1) |
| <b>Hawaii</b>               | No incentive                                                                                                                          |                                                                 |                                                                                |                                    |
| <b>Idaho</b>                | Yes – 'eligible server equipment' for new data centers is exempt                                                                      | No                                                              | Yes, partially – taxable market value of new construction                      | Idaho Stat. § 63-3622VV            |

<sup>30</sup> National Conference of State Legislatures, "State Tax Incentives for Data Centers," (April 2026). Accessed electronically at <https://www.ncsl.org/fiscal/subsidizing-servers-how-states-are-competing-to-attract-data-centers>



| State                | General Sales Tax Incentive                                                                                                               | Sales Tax Extends to Electricity?                                                                                               | Property Tax Abatement                                                                    | Citation                                           |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------|
|                      |                                                                                                                                           |                                                                                                                                 | excludes property exempted from sales tax                                                 |                                                    |
| <b>Illinois</b>      | Yes – 'qualified tangible personal property' is exempt, including electrical, cooling, plumbing, and tech systems, and building materials | No                                                                                                                              | No                                                                                        | 20 ILCS 605/605-1025                               |
| <b>Indiana</b>       | Yes – for development, acquisition, construction, and operation of a qualified data center                                                | Yes – all electricity used by qualified data center equipment, excluding electricity used in administration                     | Yes – Indiana counties and cities may choose to grant personal property tax exemptions    | Burns Ind. Code Ann. §§ 6-2.5-15-3, 6-1.1-10-44    |
| <b>Iowa</b>          | Yes – computers and equipment necessary for a data center business, and site preparation activities                                       | Yes – indefinite exemption for data centers before June 2025; thereafter 10 or 15 year exemption depending on county population | Yes – data center computer equipment not subject to property tax                          | Iowa Code § 423.3(95)                              |
| <b>Kansas</b>        | Yes – including land, buildings, site improvements, and data center equipment, including software                                         | No – electricity specifically excluded                                                                                          | No                                                                                        | Ks. Stat. Ann. § 79-3606                           |
| <b>Kentucky</b>      | Yes – sales and use tax, mostly for computer equipment                                                                                    | No                                                                                                                              | No                                                                                        | Ky. Rev. Stat. § 154.20-220 et seq.                |
| <b>Louisiana</b>     | Yes – Louisiana state and local sales and use taxes shall not apply to eligible data center equipment                                     | No                                                                                                                              | No                                                                                        | La. Rev. Stat. § 47:305.73                         |
| <b>Maine</b>         | No incentive                                                                                                                              |                                                                                                                                 |                                                                                           |                                                    |
| <b>Maryland</b>      | Yes – 'qualified data center personal property' is exempt, including computers, software, cooling systems, and generators                 | No – specifically excluded by Comptroller's regulations                                                                         | Yes – counties and municipalities may reduce or eliminate property taxes for data centers | Md. Code Ann., Tax-Gen § 11-239; Tax-Prop. § 7-248 |
| <b>Massachusetts</b> | Yes – data center equipment including computer software and construction costs, including for refurbishment, are exempt                   | Yes – electricity for use or consumption in the operation of a Qualified Data Center is exempt                                  | No                                                                                        | 64H Mass. Ann. Laws § 6(zz)                        |
| <b>Michigan</b>      | Yes – data center equipment is exempt, including for construction and repairs                                                             | No                                                                                                                              | No – and cannot receive local tax abatements to qualify                                   | Mich. Comp. Laws § 205.54ee                        |
| <b>Minnesota</b>     | Yes – computer equipment and software is exempt                                                                                           | Yes – modified in 2025 to exclude hyperscale data                                                                               | No                                                                                        | Minn. Stat. § 297A.68(42)                          |



| State                 | General Sales Tax Incentive                                                                                         | Sales Tax Extends to Electricity?                               | Property Tax Abatement                                                      | Citation                          |
|-----------------------|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------|
|                       |                                                                                                                     | centers from the electricity benefit                            |                                                                             |                                   |
| <b>Mississippi</b>    | Yes – both equipment and software are exempt for new and expanding data centers                                     | No                                                              | Yes – local authorities may grant 10-year exemptions for data center assets | Miss. Code § 57-113-21            |
| <b>Missouri</b>       | Yes – all machinery, equipment, and computers, and all property used in constructing new data centers               | Yes – utilities including electricity and gas are exempt        | No                                                                          | Mo. Rev. Stat. § 144.810          |
| <b>Montana</b>        | No state sales tax                                                                                                  | N/A                                                             | Yes – special tax rate of 0.9% of assessed value                            | Mont. Code Ann. § 15-6-162        |
| <b>Nebraska</b>       | Yes – tangible personal property 'incorporated' into data centers is exempt                                         | No                                                              | No                                                                          | Neb. Rev. Stat. § 77-2704.62      |
| <b>Nevada</b>         | Yes – sales and use tax may be reduced to 2%                                                                        | Yes – electricity receives the sales tax incentive              | Yes – up to 75% of personal property tax abated                             | Nev. Rev. Stat. § 360.754         |
| <b>New Hampshire</b>  | No incentive                                                                                                        | No state sales tax                                              |                                                                             |                                   |
| <b>New Jersey</b>     | Yes – tax credit of 25% of capital investment, up to \$250 million (NJ Next Program for AI businesses/data centers) | N/A                                                             | N/A                                                                         | S3432 (NJ Next Program)           |
| <b>New Mexico</b>     | No incentive                                                                                                        |                                                                 |                                                                             |                                   |
| <b>New York</b>       | Yes – sales and use tax exemption for machinery, equipment, and certain other tangible personal property            | No                                                              | No                                                                          | Tax Law, Section 1115(a)(37)      |
| <b>North Carolina</b> | Yes – sales and use tax exemption for software, machinery, and support equipment                                    | Yes – electricity for use at a qualifying data center is exempt | No                                                                          | N.C. Gen. Stat. § 105-164.13(55a) |
| <b>North Dakota</b>   | Yes – sales and use tax exemption                                                                                   | No                                                              | No                                                                          | N.D. Cent. Code § 57-39.2-04.17   |
| <b>Ohio</b>           | Yes – complete or partial sales and use tax exemption for tangible personal property, including construction        | No                                                              | No                                                                          | Ohio Rev. Code § 122.175          |
| <b>Oregon</b>         | No incentive                                                                                                        | No state sales tax                                              | Not by statute – may use Enterprise Zones                                   |                                   |



| State                 | General Sales Tax Incentive                                                                                                | Sales Tax Extends to Electricity?                                              | Property Tax Abatement                                                                       | Citation                          |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-----------------------------------|
| <b>Pennsylvania</b>   | Yes – 'computer data center equipment,' including hardware, software, and infrastructure, is exempt                        | No – utilities specifically excluded                                           | No                                                                                           | 72 Pa. Stat. § 9931-D             |
| <b>Rhode Island</b>   | No incentive                                                                                                               |                                                                                |                                                                                              |                                   |
| <b>South Carolina</b> | Yes – original or replacement computers, computer equipment, and hardware and software purchases used within a data center | Yes – electricity used by a datacenter and eligible business property          | No                                                                                           | S.C. Code Ann. § 12-36-2120(79)   |
| <b>South Dakota</b>   | No incentive                                                                                                               |                                                                                |                                                                                              |                                   |
| <b>Tennessee</b>      | Yes – tangible personal property is exempt, including 'industrial machinery' like computers                                | Yes – sales tax rate reduced to 1.5% for electricity only                      | No                                                                                           | Tenn. Code Ann. § 67-6-102        |
| <b>Texas</b>          | Yes – software, computers, and other peripheral equipment                                                                  | Yes – electricity is exempt; predominant use study required if meter is shared | No                                                                                           | 34 Tex. Admin. Code § 3.335       |
| <b>Utah</b>           | Yes – machinery, equipment, and repair and replacement of equipment used at the data center is exempt                      | No                                                                             | No                                                                                           | Utah Code Ann. § 59-12-104        |
| <b>Vermont</b>        | No incentive                                                                                                               |                                                                                |                                                                                              |                                   |
| <b>Virginia</b>       | Yes – sales tax exemption covers computers, software, and some utility equipment                                           | No                                                                             | No                                                                                           | § 58.1-609.3                      |
| <b>Washington</b>     | Yes – for 'eligible server equipment,' 'eligible power infrastructure,' and labor and services                             | No                                                                             | No                                                                                           | Wash. Rev. Code. Ann. § 82.08.986 |
| <b>West Virginia</b>  | Yes – exemption for 'data center property,' including operation and construction                                           | No                                                                             | Yes – assessed value reduced to 'salvage value,' not to exceed 5% of total data center value | W. Va. Code § 11-6N-1             |
| <b>Wisconsin</b>      | Yes – construction costs, renovation, and data center equipment are exempt                                                 | No                                                                             | No                                                                                           | Wis. Stat. Ann. § 238.40(1)(b)    |
| <b>Wyoming</b>        | Yes – for computer equipment; power supplies and generation may also be exempt if total investment exceeds \$50 million    | No                                                                             | No                                                                                           | Wyo. Stat. § 39-15-105(S)(IV)     |





#### **Appendix B: Oklahoma State Statute §68-1357(21)**

There are hereby specifically exempted from the tax levied by the Oklahoma Sales Tax Code:

21. Sales of machinery and equipment purchased and used by persons and establishments primarily engaged in computer services and data processing:

a. as defined under Industry Group Numbers 7372 and 7373 of the Standard Industrial Classification (SIC) Manual, latest version, which derive at least fifty percent (50%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer, and

b. as defined under Industry Group Number 7374 of the SIC Manual, latest version, which derive at least eighty percent (80%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer.

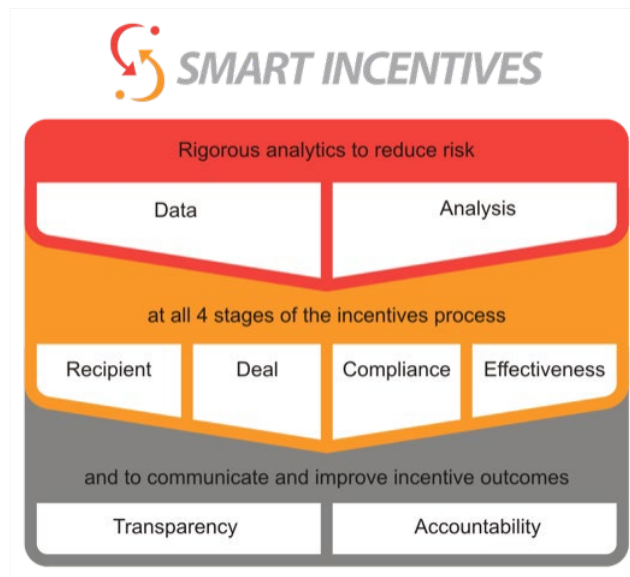
Eligibility for the exemption set out in this paragraph shall be established, subject to review by the Tax Commission, by annually filing an affidavit with the Tax Commission stating that the facility so qualifies and such information as required by the Tax Commission. For purposes of determining whether annual gross revenues are derived from sales to out-of-state buyers or consumers, all sales to the federal government shall be considered to be to an out-of-state buyer or consumer



## Appendix C: Business Incentives Best Practices

There has been extensive writing around what constitute business incentives best practices. From the project team's review of many sources,<sup>31</sup> it has identified 10 important best practices and sought to incorporate them into the analysis and discussion of this incentive.

As a starting point, business incentives should be viewed as a process, not an event. The award of an incentive and the incentive features are part of that process, and many of the identified best practices reflect that. The process itself should take into consideration each of these factors, which PFM's subcontractor, Smart Incentives, demonstrates in the following illustration:



While the project team believes this is a strong set of best practices, there may well be others that are as (or more applicable) in specific situations. It is also likely that some of the best practices will come into conflict in some situations. For example, application and reporting requirements may reduce the simplicity of business compliance. As a result, these will always be subject to analysis on a case-by-case basis.

The 10 best practices are:

1. **For maximum impact, incentives should be targeted.** Examples of useful targeting include companies or industries that export their goods or services out-of-state; high economic impact companies or industries – such as those with higher wages and benefits, significant job creation, or significant capital investment.

<sup>31</sup> Three resources in particular were relied upon putting together the list of best practices. They are "What Factors Influence the Effectiveness of Business Incentives?" The Pew Charitable Trusts, April 4, 2019, accessed electronically at <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/04/what-factors-influence-the-effectiveness-of-business-incentives>; "Improving Economic Development Incentives," Timothy J. Bartik, W.E. Upjohn Institute for Employment Research, 2018, accessed electronically at [https://research.upjohn.org/cgi/viewcontent.cgi?article=1000&context=up\\_policybriefs](https://research.upjohn.org/cgi/viewcontent.cgi?article=1000&context=up_policybriefs); "Best Practices for the Design and Evaluation of State Tax Incentives Programs for Economic Development," Matthew N. Murray and Donald J. Bruce, January 2017, included within another evaluation at [https://media.al.com/news\\_mobile\\_impact/other/AL%20ENTERTAIN%20NEWMKTS%203%209%2017.pdf](https://media.al.com/news_mobile_impact/other/AL%20ENTERTAIN%20NEWMKTS%203%209%2017.pdf)



2. **Incentives should be discretionary.** In most instances, an application process enables the state government to require company disclosure of information related to eligibility criteria and enables the state to reject applications that do not meet its standards.
3. **Incentives should leverage significant private capital.** Ideally, the incentive should leverage private investment that is at least several multiples of the state investment.
4. **Incentives should provide most of the benefit within 1-3 years and have a limited duration.** Company discount rates are much higher than for the state, and businesses will significantly devalue incentive payments in later years.
5. **Incentives should take into consideration state and/or local as well as industry economic conditions.** Incentives that are provided in high performing areas or for stable and profitable businesses or industries will likely fail the 'but for test' – meaning the activity would likely occur without the state incentive.
6. **'Smart' incentives help businesses overcome practical barriers to growth.** In particular, customized assistance for locally owned, small and medium-sized businesses can have significant impact.
7. **Incentives should be transparent.** The incentive purpose should be clearly articulated, as are eligibility requirements, and regular, detailed reporting should be required from all program recipients.
8. **Incentives should require accountability.** When upfront financial incentives are offered in return for job creation, retention, or capital investment, there should be contract language in place that allows the state to 'claw back' state resources should the company not meet performance requirements.
9. **Incentives should have caps.** To ensure the state's financial health, program dollar caps or limits should be in place. Incentive programs should also have a limited duration, with sunsets in place to require regular review of incentive performance.
10. **Incentives should be simple and understandable.** The state should be able to easily and effectively administer the incentive, and users should be able to readily comply with its requirements.