Data Center Sales Tax & Angel Investor Tax Credit





As the voice of economic development in North Dakota, EDND convenes members and other stakeholders around key issues and opportunities.

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93 MEMBERS STRONG FROM ACROSS NORTH DAKOTA

TO CHAMPION THE GROWTH AND DIVERSIFICATION OF NORTH DAKOTA'S ECONOMY THROUGH PROFESSIONAL DEVELOPMENT, NETWORKING AND ADVOCACY.

PROMOTING THE CREATION OF NEW WEALTH THROUGHOUT NORTH DAKOTA AND DEVELOP MORE VIBRANT COMMUNITIES TO IMPROVE QUALITY OF LIFE FOR ALL.

Important Adjustments To The Data Center Tax Policy In 2020/2021

- EDND participated in the conversation to:
  - Remove the 4 data center limit.
  - Remove the 2030 Sunset.
  - Allow the tax department to report how the abatement is being used.

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Immediate Results!

- Results were almost immediate and data center opportunities are distributed across the state.
  - Williston, Jamestown, Ellendale, Grand Forks, Harwood, Center.
- Billions of dollars invested into North Dakota in the last 5 years.



Applied Data Center in Harwood ND

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Sales Tax Impact Example

- Ellendale is a great test case:
  - According to the city of Ellendale, the collections of local sales tax prior to 2024 was less that $500,000 per year.
  - Last year they collected $1,152,022.54
  - In 2026 the current collections are already over $4.5 Million.



Applied Digital Data Center In Ellendale ND

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Other Local Impacts

- Data Centers contribute to the local economy through other taxes and fees:
  - Property tax impacts
    - Applied Digital expects to be the one of the largest property tax payors in the state of North Dakota if not the largest.
  - Franchise fees
    - Example: Grand Forks, has three data centers operating in their community and in 2024 collected over $350,000 in franchise fees alone.
  - Centrally assessed or In Lieu property taxes collected on energy sales.
    - Example: In 2024 the city of Grand Forks and other political subs shared over $375,000 produced by the In-Lieu taxes collected.
    - By comparison, to get the same property tax production from a commercial building, the building would need a valuation of nearly $22 Million.
  - Additionally High volume Achor Tenants across the state help to prove the economic viability of the state supported pipeline.

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North Dakota Is Not Operating In A Vacuum.

- 38 states offer dedicated statutory tax incentives directed to data centers.
  - Of those 38 states several are making their incentives more restrictive or reviewing their policy.
    - Those states have a data center industry that is more mature in their states.
    - South Dakota is a good example of what can happen when you don't have a data center tax policy
  - Other states like Kansas are adding incentives to attract investment.
- Data center operators across the state are making significant long-term investments based on the tax policy in place. Making changes could shift investment to other states

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Angel Investor Tax Credit

- This policy incentivizes early-stage equity investments in primary sector startups across the state.
- The Tax Credit is now working as intended and EDND recommends keeping as is.

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Questions

Matt Marshall
Member Services, Rates, & Economic Development Manager
Minnkota Power Cooperative

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Subject: Testimony in Support of Preserving Data Center Sales Tax and Angel Fund Incentives
To: Members of the Tax Reform and Relief Advisory Committee
From: Economic Development Association of North Dakota (EDND)
Date: August 26, 2026
Location: Roughrider Room, State Capitol, Bismarck, ND

Chairman Bekkedahl and members of the Tax Reform and Relief Advisory Committee,

Thank you for your service to this state and the opportunity to testify about the importance of these valuable tools. The Economic Development Association of North Dakota (EDND) represents more than 90 state economic development organizations on the front line of comprehensive development efforts throughout North Dakota. The primary purpose of the membership is to promote the creation of new wealth, develop more vibrant communities, and improve quality of life. As you convene for today's interim review of economic development tax incentives, I am writing to voice our strong support for keeping both the data center sales tax exemption and the Angel Fund tax credit fully intact.

A predictable tax and regulatory environment are the foundation of effective economic recruitment. Altering, sunsetting, or pausing these established programs would compromise North Dakota's reputation for policy stability, halting primary sector momentum just as it is reaching maturity.

When North Dakota solidified its data center framework, our economic development community gained a critical tool to position the state as a premier destination for the digital economy. The response from the tech sector was immediate. Rather than waiting a decade for incremental results, the state experienced a swift influx of private capital.

Because this incentive is structured so that companies only benefit after making massive up-front investments, it represents a highly efficient mechanism for primary sector growth. Since the 2020 framework went into effect, it’s been reported that data center operators have purchased over $818 million worth of enterprise equipment, software, and advanced infrastructure in our state and this number has no doubt grown over the last year. The estimated $41 million saved by operators via state sales tax exemptions is directly tied to billions of dollars injected into North Dakota supply chains, local tech vendors, and construction projects.

Beyond direct capital expenditures, our current data center policy is actively solving one of North Dakota’s greatest long-term infrastructure challenges: bringing natural gas to the eastern side of the state.

Building a major multi-county pipeline requires guaranteed, high-volume anchor tenants to prove economic viability. The rapid growth of data centers has provided exactly that. The certainty of our tax framework has enabled Applied Digital to anchor massive infrastructure projects in Jamestown, Ellendale, and Harwood. This concentrated demand directly supported the North Dakota Industrial Commission's approval of a $500 million financial backstop for WBI Energy's Bakken East Pipeline. Because data centers provide baseline revenue security, everyday communities, hospitals, and traditional manufacturers in the Red River Valley will finally gain access to a secure, redundant, and affordable domestic gas supply that will allow the state to maximize gas development in the West.

The local revenue impact of these projects cannot be overstated. In Ellendale alone, annual municipal sales tax collections historically hovered at an average of roughly $330,000 per year. Following the arrival and expansion of computing infrastructure, local collections surged to nearly $3.2 million within the last five years. This exponential increase directly funds community infrastructure, public safety, and local services entirely driven by the footprint of this policy.

A key strength of North Dakota's data center success is that its benefits are not concentrated in a single urban corner of the state. Because of our unique energy grid and robust connectivity, this industry has achieved a truly balanced, statewide distribution. High-value projects stretch from the energy corridors of Williston and the heart of the Bakken, down through central energy hubs in Oliver and Mercer counties, and across to major technology campuses in Jamestown, Ellendale, and Harwood. By spreading this infrastructure across diverse legislative districts, the data center industry is strengthening rural property tax bases, funding community projects, and creating tech-sector employment opportunities in areas that have historically relied entirely on traditional agriculture or single-commodity energy development.

Data centers are highly mobile capital investments, and North Dakota is not operating in a vacuum. According to an April 26, 2026, report by the National conference of state legislatures, Currently, 38 states offer dedicated statutory tax incentives designed specifically to recruit data center infrastructure. Crucially, all 38 of these competing states offer targeted sales and use tax exemptions on essential hardware, servers, and computing software. While it is true that some states are currently considering the limiting or removal of tax incentives for data centers, other states have considered passing new incentives to try to attract data center development. EDND respectfully requests that lawmakers keep North Dakota competitive by maintaining the current tax policy and continuing the historic investment in our communities.

Technology infrastructure requires constant, multi-million-dollar equipment refreshed every three to five years to handle modern artificial intelligence and cloud workloads. If North Dakota weakens or eliminates its sales tax policy, developers will simply route their hardware

shipments and future expansion phases to any of the other jurisdictions where these exemptions remain secure. Maintaining our current policy is not giving away an advantage; it is the baseline requirement to remain at the competitive table.

Maintaining the Angel Fund Policy to Support Homegrown Innovation

In addition to large-scale infrastructure, EDND strongly opposes any modifications or additional restrictions to North Dakota's Angel Fund tax credit policy. While infrastructure projects anchor our physical economy, the Angel Fund framework seeds our entrepreneurial ecosystem.

This policy incentivizes early-stage equity investments in early-stage North Dakota technology, manufacturing, and primary sector startups that would otherwise struggle to find traditional bank financing. The program bridges the funding gap for local innovators, keeping intellectual property and wealth generation right here in North Dakota. Tinkering with the credit thresholds or increasing administrative burdens on angel networks would immediately choke off early-stage capital, sending our brightest entrepreneurs to tech hubs outside our borders. The current policy strikes the correct balance between fiscal responsibility and early-stage business growth.

EDND strongly urges the committee to recommend keeping both the current sales tax policy and the Angel Fund policy fully intact to ensure North Dakota remains a leader in economic diversification.

Thank you for your time, your consideration, and your continued support of economic development across North Dakota.