WISCONSIN POLICY FORUM

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Grounding a Charged Debate: Data Centers in Wisconsin

Centers can bring economic benefits, but impact to power grid, property taxes are question marks

Data centers can deliver multi-billion-dollar investments and large numbers of construction jobs and additional permanent jobs in Wisconsin communities. But key issues around their development remain unresolved, including how to ensure residents are spared from increases to transmission rates or property taxes.

The rise of artificial intelligence is triggering a massive boom in data center construction across the nation. Far from being a hub of data center construction, a new Wisconsin Policy Forum report finds Wisconsin lags states such as Virginia and Ohio in both the number and size of its data centers. Still, three major hyperscale data centers are being built in Wisconsin in recent years, with more being proposed and often facing significant opposition. A Microsoft data center is up and running in Mount Pleasant, while centers are under construction in Port Washington and Beaver Dam.

The Mount Pleasant center has a total planned investment of $20 billion and the Port Washington center is expected to involve a $15 billion investment in computing hardware, cooling equipment, buildings, and land. Based on the latest state projections, due in large part to these centers, peak power demand in Wisconsin is expected to increase by more than 5 gigawatts between 2024 and 2030 -- raising the question of who will pay for the added capacity to serve these centers.

“Electricity arguably represents the single biggest challenge for large data centers -- and the single biggest issue for policymakers,” the report finds.

As public opinion about data centers has declined, some communities have blocked these projects, either by rejecting specific proposals or approving a blanket moratorium. These moratoria allow elected officials and the public to learn more about data centers and better formulate local ordinances and policies. However, data center investment has represented a large share of national economic growth in the past 18 months – communities that decline the facilities may grow more slowly as a result.

Impacts to power grid

Total electricity sales in Wisconsin fell in the last two decades. The data center buildout is reversing that trend and requiring new electricity generation and transmission infrastructure. Recent decisions by state utility regulators have strengthened protections for ratepayers from costs related to data centers. Still, questions remain about who will bear the transmission costs of serving data centers – and whether generation and transmission assets will be built quickly enough to meet the growing demand.

Data centers in Wisconsin receive a sales tax exemption, enacted in 2023, for materials used in their construction and operation. Earlier this year, the nonpartisan Legislative Fiscal Bureau (LFB) estimated that between 2024 and 2028, data center construction would result in $1.5 billion in forgone state sales tax revenues and $150 million in county sales tax revenues. After construction, the state would forgo an estimated $369 million in annual sales tax revenues on purchases to operate the centers.

An April 2026 report by the National Conference of State Legislatures found 38 states offer tax incentives for data centers. All of those states offered at least some form of sales tax exemption on data center equipment. A Forum analysis finds that if one assumes two-thirds of the ongoing data center investment is due to the sales-tax exemption, then state and local tax revenues would likely cover both these forgone state sales tax revenues and any local incentives.

Local governments could see revenue boost

Under the five deals we examined, Wisconsin local governments would be likely to recoup all of their costs and incentives from their potential increases in property taxes. For local governments, annual increases in their property tax levy for operations are generally limited to the percentage change in property values due to net new construction. Data centers can jumpstart local revenues by providing an influx of new construction. For example, the city of Port Washington had equalized property values of $1.9 billion as of Jan. 1, 2025. By 2031, the data center property being built in the city is expected to have a real estate value of $2.1 billion or even more, more than doubling its previous tax base.

The Forum reviewed deals between data center developers and the communities of Mount Pleasant, Port Washington, and Beaver Dam, as well as in two communities where centers were proposed but later canceled: Janesville and DeForest. In general, we found communities were striking reasonable deals that included fiscal safeguards.

However, state law makes it challenging for local officials to protect existing taxpayers in the case of data center developments that require significant tax increment finance (TIF) spending on infrastructure or developer incentives. Under current law, there could be initial tax increases on existing property owners -- despite the possibility that once the TIF district closes, residents' taxes could decline to what they were prior to the data center or even less.

Options for policymakers

In response to some of the issues highlighted in our report, we offer a range of policy options, including:

- To help shield existing residents from the impact of increasing taxes, change state law to give municipalities a ten-year period to use new construction from development such as data centers to raise their levy, rather than the current five-year period.
- Limit the use of non-disclosure agreements by data centers except in certain circumstances such as the protection of trade secrets.
- Ensure state policy allows for the timely siting of generation and transmission assets to meet the growing statewide demand for electricity.
- Spell out in state law the obligations for data center owners who close their facilities, particularly in cases where construction was begun but not finished.
- Protect local taxpayers by using tools in development deals such as guaranteed property valuations, limited or no municipal borrowing, and pay-for-performance provisions for any developer incentives.

Click here to read the report, which was supported by the Metropolitan Milwaukee Association of Commerce, the Greater Madison Chamber of Commerce, Forward Janesville, the League of Wisconsin Municipalities, and the Wisconsin Realtors Association.

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