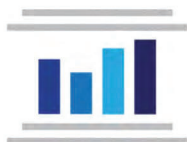
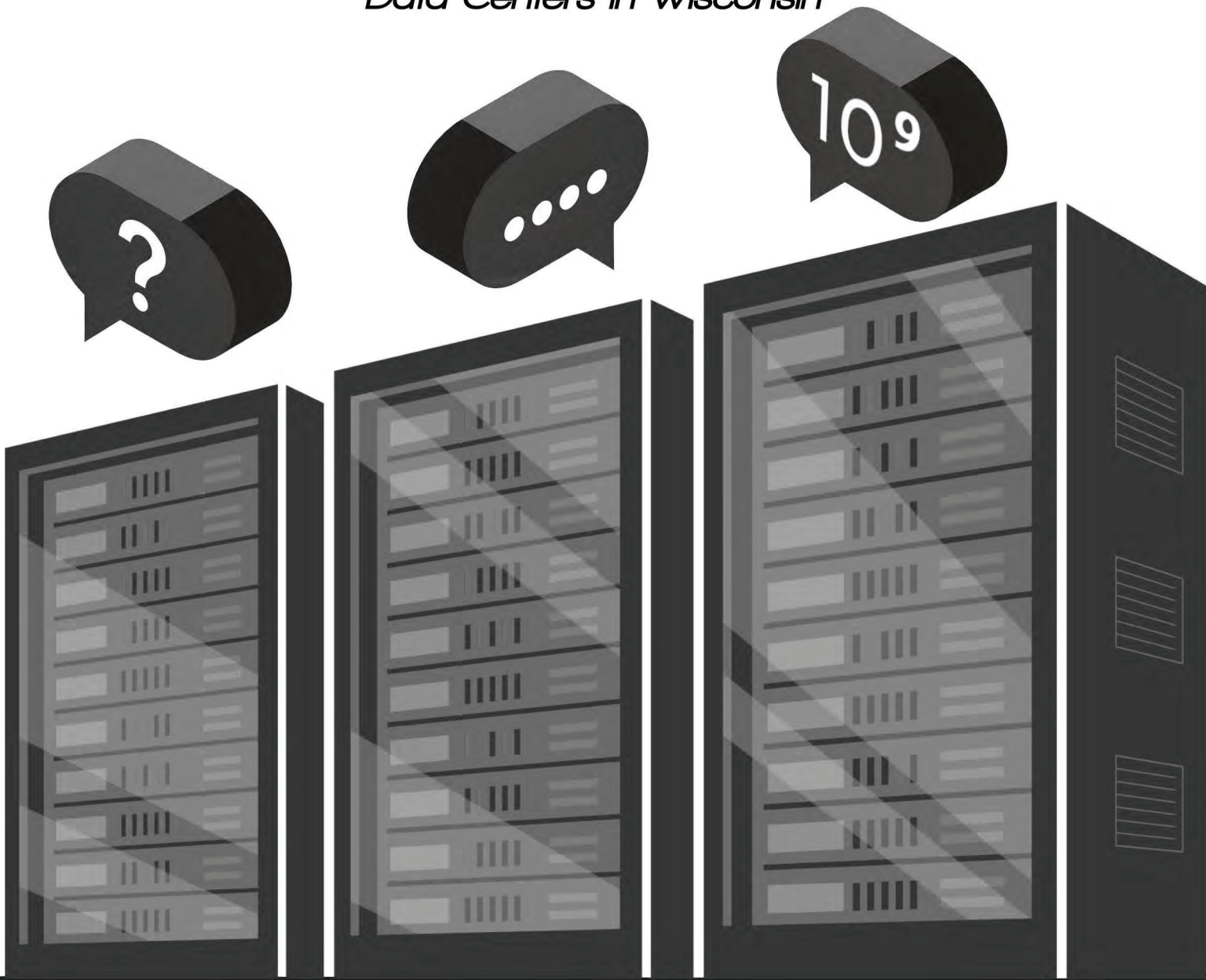


EXECUTIVE SUMMARY

GROUNDING A CHARGED DEBATE

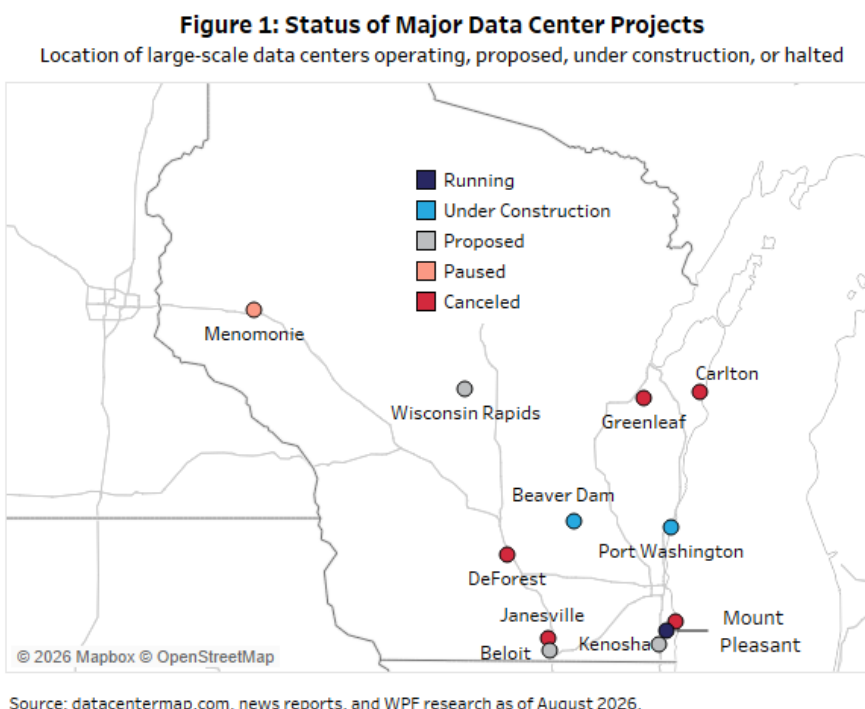
Data Centers in Wisconsin



WISCONSIN
POLICY FORUM

EXECUTIVE SUMMARY

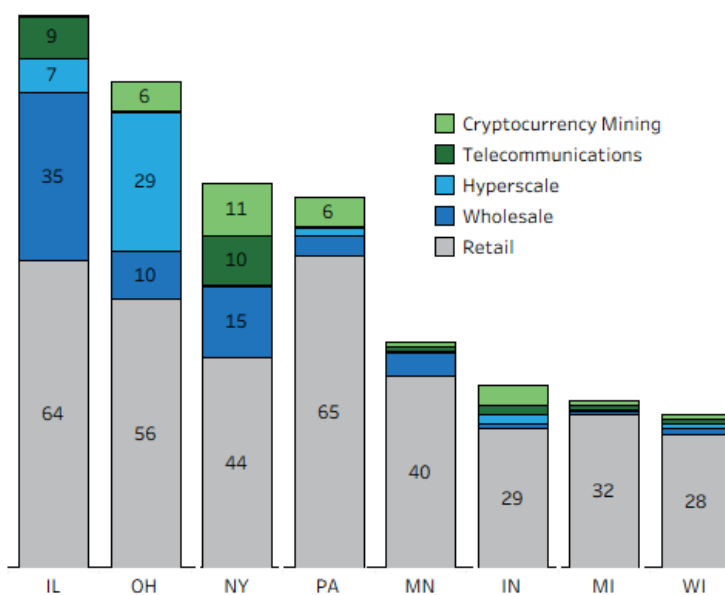
Rarely has an issue rocketed up out of obscurity and captured the mind of the public with the speed and intensity of data center development. The rise of artificial intelligence and the demands for cloud-based computing have driven a boom in data center construction around the country. Billions of dollars are being spent to build data centers in the Wisconsin communities of Mount Pleasant, Port Washington, and Beaver Dam. Even more projects have been proposed, in some cases drawing significant opposition (see Figure 1).



These centers combine computing resources with data storage systems and network connections to allow users to process, store, and retrieve data and perform tasks. In addition to servers, routers, and storage devices, data centers contain power systems and backups along with ventilation, cooling, and fire suppression systems. Data centers are not new and, even before the recent rapid growth in artificial intelligence (AI), demand for their services had been rising due to cloud computing, streaming services, and the rise in internet applications.

According to the University of Virginia, Wisconsin lags states such as Illinois and Ohio in both the

Figure 2: Wisconsin's Current Data Centers Are Mostly Small
Number of data centers in operation by state and type



number and size of its data centers (see Figure 2 on the previous page). However, the hyperscale data centers now being built in the state still would add up to a massive impact on investment and real estate values, as shown in the table.

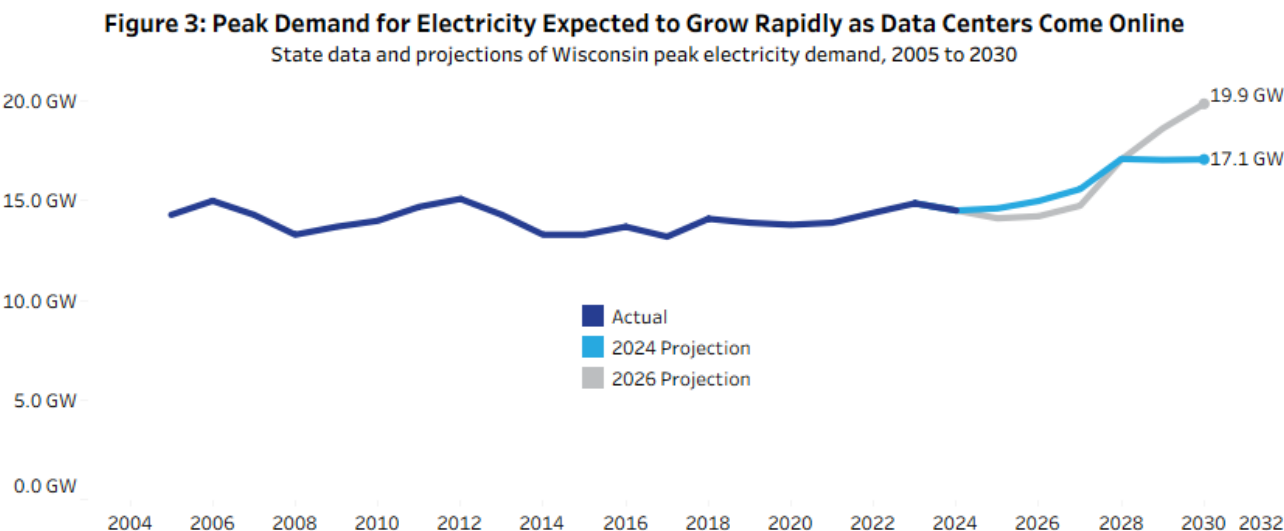
Aspect of Project	Port Washington	Beaver Dam (With Phase Two)	Mount Pleasant
Developer or Company	Vantage/Oracle/OpenAI	Meta	Microsoft
Stated Intended Investment	\$15 billion (Phase One)	Over \$2 billion	\$20 billion
Projected Real Estate Value	\$2.1 billion*	\$1.3 billion	\$8.4 billion*
Size in square feet	2.5 million	1.4 million	11.2 million
Construction Jobs at Peak	4,000	1,000+	2,960 (Phase One)
Ongoing Operations Jobs	1,000	200+	550 by end of 2026 with more coming
Project Phase	Under construction	Under construction	First phase completed; rest under construction

Source: WPF research *Reflects preliminary estimates that will be revised and may increase.

State Regulation of Data Centers

Electricity arguably represents the single biggest challenge for large data centers – and the single biggest issue for policymakers. Prior to data centers ramping up, power usage in Wisconsin was falling due to the loss of industry, conservation efforts, and slowing population growth. As the Forum noted in a [January brief](#), electricity sales in Wisconsin in megawatt hours fell by 9% over the past 20 years, limiting the revenues available to upgrade generation and transmission assets in the state.

Peak demand from all customers dropped by less, but still fell 2.6% from a high of 15 gigawatts in 2006 to 14.6 gigawatts in 2024 (see Figure 3). Data centers are helping to reverse that trend. Based



Source: Wisconsin Public Service Commission



on the latest draft utility projections reported to the state Public Service Commission (PSC), peak demand is expected to increase to 19.9 gigawatts by 2030, an increase of 3 GW over the previous state estimates from 2024.

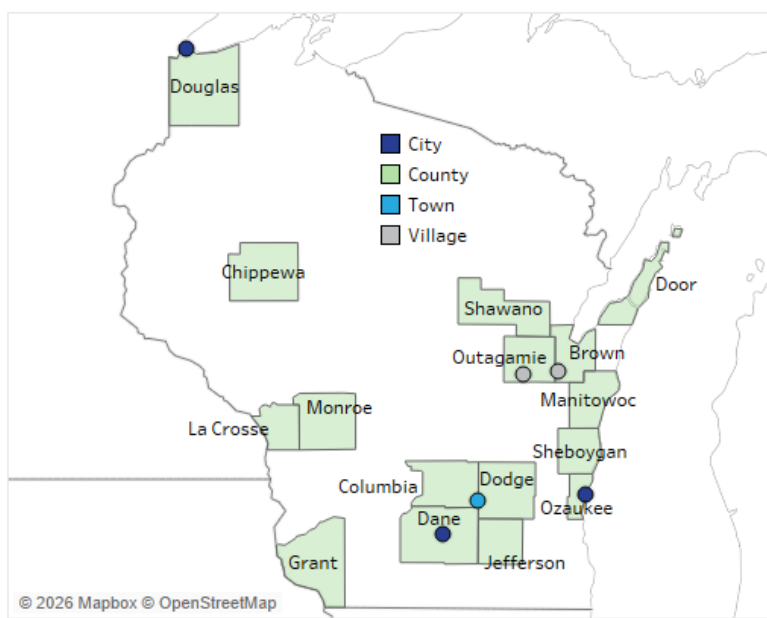
The thorny question then arises of who will pay for the added capacity being built by We Energies, which serves the Port Washington and Mount Pleasant facilities; Alliant Energy Corp., which serves the Beaver Dam center; and the American Transmission Company (ATC), which oversees the transmission lines. Typically, the costs of these investments would be borne by all of the companies' respective ratepayers. In recent months, however, the PSC has exercised its regulatory powers over utility rates to make several critical decisions that have strengthened protections for other ratepayers from data center costs. These rulings have added five years to the time that data center customers must pay for the additional assets serving them, required data centers to pay 100% of the costs of two new natural gas plants serving them, and raised requirements on large customers like data centers to show financial strength. However, other power issues remain unresolved, including the question of the effect of data centers on transmission rates and whether the new generation assets and transmission lines will be built quickly enough to meet the growing demand.

Water use by data centers has represented another concern for the public, but one that is less pressing due to the overall decline in water usage in Wisconsin over the past generation. Some heavy industry has left the state, other industrial and residential users have become more efficient, and utilities have shifted from water-intensive coal plants to natural gas and renewable energy sources. Between 2011 and 2024, water withdrawals in Wisconsin fell by 506 billion gallons, or more than 23.5%, to 1.7 trillion gallons, or more than the current crop of data centers would use.

Local Regulations on Data Centers

As public opinion about data centers falls in polling, some communities in Wisconsin and around the nation have blocked the construction of large data centers, either by rejecting a specific proposal or approving a blanket moratorium. In January 2026, for example, the Madison city council approved a [one-year moratorium](#) on zoning approvals for data centers with more than 10,000 square feet of floor space. As shown in Figures 1 and 4, more communities have blocked large data centers than have approved them, suggesting local officials may have some leverage with developers.

Figure 4: Data Centers Have Been Placed on Pause Across the State
Local governments that have considered or enacted a data center moratorium



Source: News reports and WPF research as of August 15, 2026.



On the one hand, these moratoria allow elected officials and the public to learn more about data centers and better formulate local ordinances and policies. On the other hand, it is worth noting that data center investment has represented a large component of overall economic growth nationally over the past year and a half and could slow in the future. That means communities that opt out of this period of rapid expansion may never fully recoup the loss in potential investment.

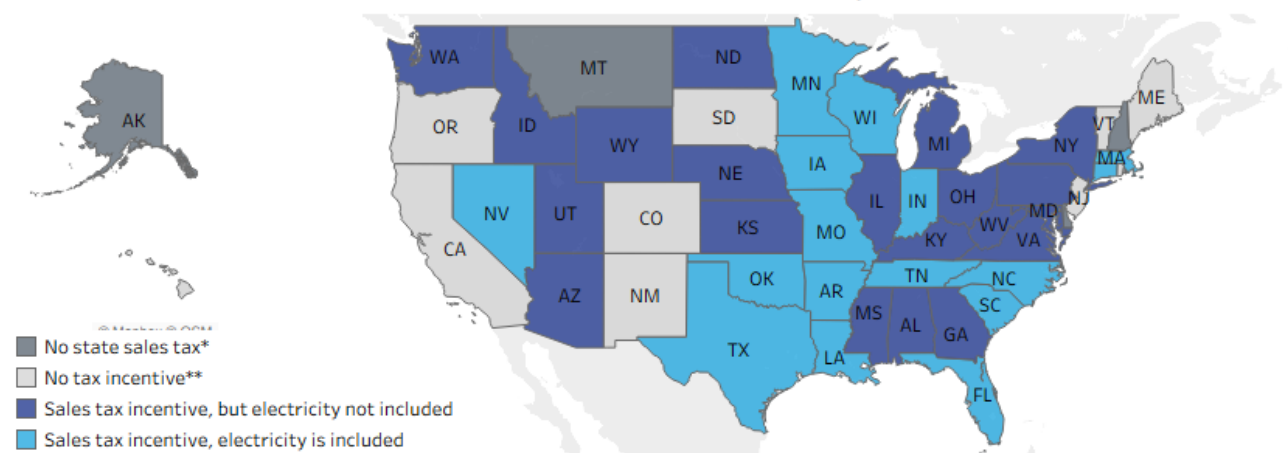
Fiscal Impacts from Data Centers

Compared to some industries such as manufacturing, Wisconsin provides fewer incentives to data centers. However, data centers do receive a sales tax exemption for materials used in their construction and operation that was included in the [2023-25 state budget](#). The exemption waives the 5% state sales and use tax and any county sales and use tax for qualifying purchases of computer servers, networking, energy, and security systems, electricity, building cooling and water systems, and chillers sold to qualified data center businesses and contractors. In a [March 2026 memo](#), the non-partisan 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 forgone county sales tax revenues. Going forward, the state would also forgo an estimated \$369 million annually in sales tax revenues on purchases needed 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 (see Figure 5). Fifteen of the states including Wisconsin extend that exemption to electricity used at the facilities (other states exempt all purchases of electricity). In all, if one assumes that Wisconsin's sales tax exemption did not attract additional data center investment, then we estimate the state is unlikely to recoup all the forgone state revenues. With reasonable agreements, local governments are likely to recoup all of their costs and incentives from their potential increases in property taxes. However, it is reasonable to assume that a significant share of the data center investment is due to the tax exemption, given that it preceded all of the development. If one assumes two-thirds of the investment is due to the exemption, then state and local tax revenues would cover both these forgone state sales tax revenues and any local incentives.

Figure 5: Most States Offer a Sales Tax Incentive for Data Center Construction

Tax incentives and laws related to data centers by state



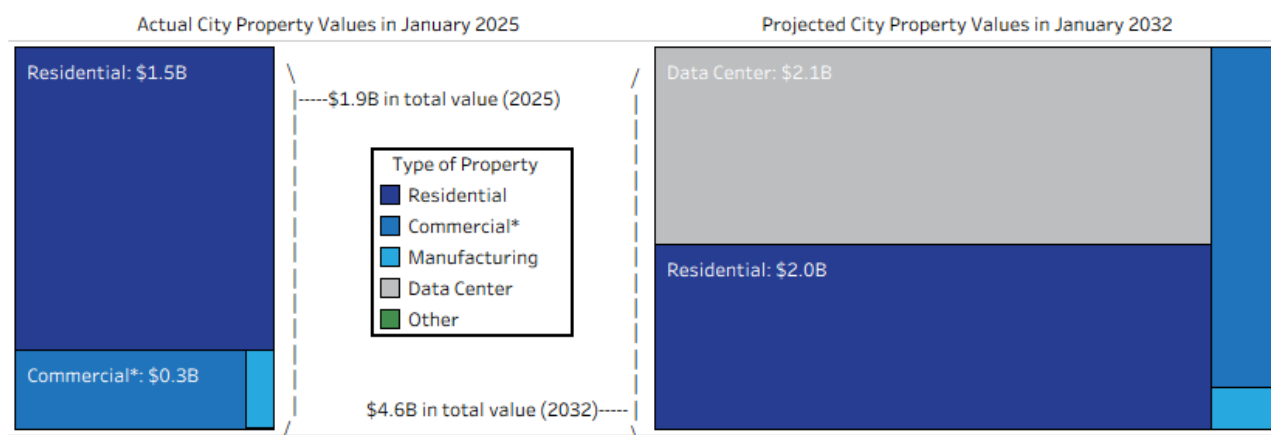
Sources: National Conference of State Legislatures and WPF research. *Delaware has certain business tax credits for data centers. **New Jersey has a special tax incentive for AI businesses, including data centers.



For these local governments, annual increases in the property tax 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 being built in the city and its contents are expected to cost \$15 billion. The real estate value of that property is expected to come in at \$2.1 billion, more than doubling the current value of all parcels in the community (see Figure 6). The data center would be worth more than all the homes in the city put together.

Figure 6: Port Washington Data Center Would Add to City Tax Base

Property values by type and year

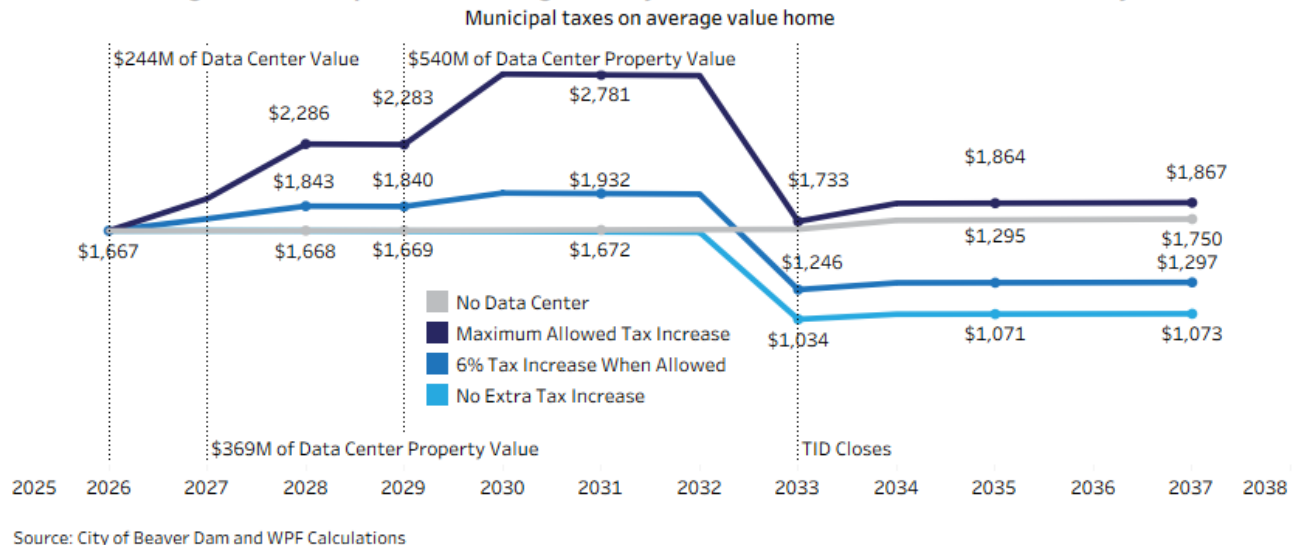


Sources: WI Dept. of Revenue & WPF calculations (residential, commercial, and manufacturing values projected using 20-year trend). *Commercial does not include data centers.

Given the size of data centers, local officials need to ensure strong deals with developers to deliver a positive fiscal impact for their community. The Forum reviewed final and preliminary deals between data center developers and the communities of Mount Pleasant, Port Washington, Beaver Dam, Janesville, and DeForest. In general, we found local communities were striking or contemplating reasonable deals that included fiscal safeguards such as guaranteed property valuations, minimal new local borrowing for the projects, and pay-for-performance requirements for incentives to developers.

However, state law makes it challenging for local officials to protect existing taxpayers in the case of data center developments that require significant infrastructure or incentive spending done through tax increment financing (TIF). That's because local officials have just a five-year window to use the net new construction resulting from data center construction to raise their municipal and county tax levies. However, tax increment districts (TIDs) can require 20 years to cover their expenditures and close. In the meantime, the increased property values inside the TID cannot be used to cover the municipal and county tax increases. That could lead to some initial tax increases on existing property owners even if their taxes eventually fall once the TID closes. The outcome depends in part on how much local officials raise property taxes, as illustrated by several hypothetical scenarios involving the city of Beaver Dam. In the chart below, the blue lines show the potential impact of the data center being built there on taxes on the average home valued at \$211,500 depending on what decisions are made by local officials.

Figure 7: Municipal Taxes on Single Family Homes Could Rise then Fall Dramatically



Policy Options

We offer a wide range of policy options in the full report, including some that are mutually exclusive. For each issue, policymakers may also opt to retain the status quo. Here is a selection of some of the options:

- 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 while still allowing them in certain circumstances such as for the protection of trade secrets.
- Ensure state policy allows for the timely siting of generation and transmission assets to meet the growing statewide demand.
- 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.

For communities such as Beaver Dam or Port Washington, data centers offer the prospect of development at a level that few if any other industries can currently provide. This is worth considering for any community, particularly in Wisconsin where under state law development is needed to raise local government revenues and sustain crucial public services.

However, data centers bring certain change to communities along with some risks. The ultimate decision is one for residents and their elected officials. In advancing this study, we aim neither to promote data centers nor to limit their development. Instead, we hope this report will provide state and local leaders and voters alike with better information to decide for themselves what is right for their community and state.