Data Centers in Ohio: Growth, Tax Treatment, and Local Impacts

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The Swank Program Policy Facts series summarizes the best available evidence on pressing policy issues facing Ohioans. The series reports facts and evidence and does not make explicit policy recommendations.

EXECUTIVE SUMMARY

What the Evidence Shows

Ohio hosts approximately 200 data centers, ranking roughly fifth among states, with most concentrated in Central Ohio. Companies plan up to $40 billion in additional investment by 2030, and firms holding state tax exemption agreements reported $27.2 billion in capital investment in 2025 alone (Office of Gov. DeWine, May 2026). Available evidence suggests infrastructure factors, especially power, land, fiber, water, and proximity to customers, are the primary siting constraints. Tax incentives may affect margins and negotiated terms, but they do not appear to be the main reason firms are seeking Ohio sites.

Data centers receive two major forms of tax support. The first is a state sales tax exemption on their equipment, which was projected to cost $135.8 million in fiscal year 2025 but in reality cost roughly $1.6 billion in calendar year 2025, about $2 billion including local sales taxes, reflecting far faster data center growth than the state anticipated (Ohio Dept. of Taxation; Signal Ohio, 2026). Local governments separately grant property tax abatements of up to 100% for 15 to 30 years. Because schools receive about 63% of Ohio property taxes (Ohio Legislative Service Commission, 2025), these are largely school revenue decisions, and payments in lieu of taxes typically recover only 15 to 30 cents per dollar forgone among the public arrangements reviewed for this memo.

Data center growth also creates broader strains, which may warrant state or regional scrutiny and policies. Electricity and water demand press on shared systems: data centers drive most of the projected growth in grid peak demand, contributing to higher electricity prices, and their peak water use can compete with agriculture and other users on the hottest days. Locally, an emerging concern is on-site natural gas power generation. As grid capacity tightens, some operators are building their own natural gas generation, which falls under state rather than local jurisdiction and raises air-permitting and emissions concerns for nearby residents.

KEY FINDINGS

Six Facts About Data Centers in Ohio

Key Finding 1. Ohio hosts roughly 200 data centers, about fifth most in the nation, with 77 more planned by 2030.

Key Finding 2. Data centers locate where infrastructure is available: power, water, fiber, and proximity to customers. Tax incentives appear secondary to these factors in siting decisions.

Key Finding 3. The data center sales tax exemption cost roughly an order of magnitude more than its official estimate, more than $1.5 billion in calendar year 2025 against a $135.8 million projection for fiscal year 2025, yet it is one of more than 20 business-input exemptions in Ohio's sales tax that together forgo about $5 billion per year.

Key Finding 4. Many PILOT arrangements recover only a limited share of the property-tax revenue that would otherwise be due under full taxation, and schools bear most of that reduction.

Key Finding 5. The best available evidence indicates data center load growth is putting upward pressure on wholesale and capacity-market costs, though the effect on any individual bill depends on retail rate design. The shift toward on-site generation raises further concerns about regional natural gas prices and local emissions.

Key Finding 6. Data centers create few permanent jobs and resemble infrastructure investment more than conventional economic development.

FINDINGS 1 AND 2

Ohio Is a Top-Five Data Center State, and Siting Follows Infrastructure

Ohio hosts approximately 200 data centers, most in Central Ohio (Data Center Map, 2026). Companies plan up to $40 billion in additional investment by 2030, with 77 more facilities planned (Ohio Consumers' Counsel, 2025). A single hyperscale facility can use as much electricity as 100,000 homes.

Siting decisions follow infrastructure: transmission access to the PJM grid, ample water and fewer regional water constraints, existing fiber networks, large available parcels, and geographic centrality (about 60% of the U.S. population lives within 750 miles of Columbus). Recent research on data center siting finds that these infrastructure factors, not tax incentives, drive location decisions. AEP Ohio received roughly 30,000 MW in service applications, indicating that demand to locate in Ohio far exceeds available capacity.

FINDING 3

The Sales Tax Exemption Cost Ten Times Its Estimate, but Is One of Many Business-Input Exemptions

The exemption for qualified data center equipment (R.C. 122.175, enacted 2011) is administered through case-by-case agreements with the Ohio Tax Credit Authority. Eighteen companies hold agreements. The earliest agreements granted 100% exemptions for 40 years; recent agreements have narrowed to 50% for 15 to 20 years (Ohio Dept. of Development, 2026). Google, Meta, and Amazon each hold exemptions valued at roughly $600 million over 40 years (Signal Ohio, June 2026).

The state's November 2024 Tax Expenditure Report projected the exemption's cost at $130.4 million for FY 2024 and $135.8 million for FY 2025. Later Department of Taxation figures reported actual state sales-tax revenue losses of $554.9 million in calendar year 2024 and more than $1.5 billion in calendar year 2025, about $2 billion including local sales taxes. The comparison is not perfectly calendar-aligned, but it shows the official estimate understated the exemption's fiscal scale by roughly an order of magnitude. Lawmakers learned the actual figures from press reports.

Ohio's sales tax exempts intermediate business inputs across many industries. Manufacturing machinery and equipment, exempt since 1935, costs about $2.5 billion per year. Agricultural inputs such as tractors, seed, and feed cost $432.7 million. Equipment sold to electricity providers, packaging, telecommunications equipment, mining, research and development, and more than a dozen other categories follow the same pattern (Figure 1). Together these business-input exemptions forgo roughly $5 billion per year, nearly two-thirds of all sales tax expenditures in the state report.

The rationale for the sales tax exemptions is standard consumption-tax design, namely avoiding tax pyramiding: when business inputs are taxed, those taxes can be embedded in the prices of downstream goods and services that may also be taxed later. The Ohio Department of Taxation's report uses the same term, noting that exemptions of this type conform the tax to the concept of a tax on final consumption. By this logic, the data center equipment exemption is structurally similar to Ohio's other business-input exemptions rather than a unique carve-out.

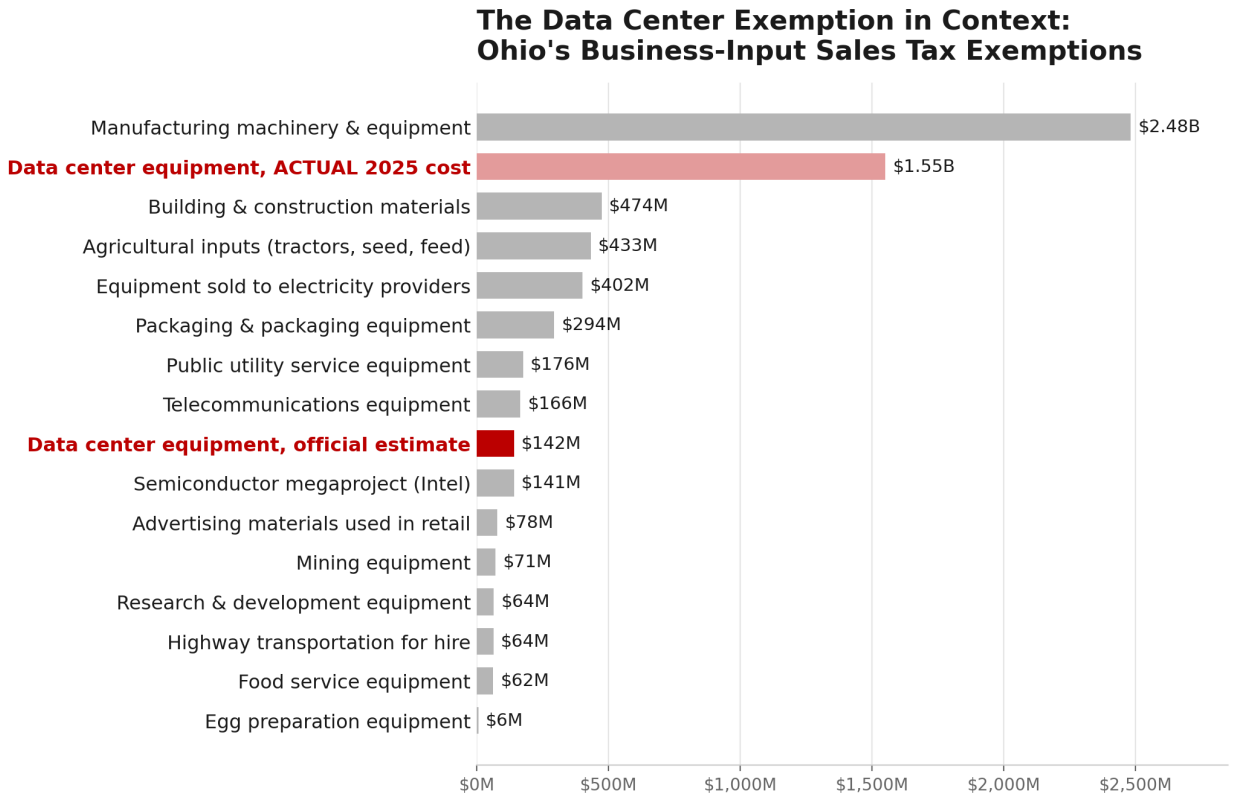

Figure 1. Ohio business-input sales tax exemptions, FY 2026 estimates (gray), with the data center exemption's official estimate and actual 2025 cost highlighted in red. Sources: Ohio Tax Expenditure Report FY 2026-2027; Ohio Dept. of Taxation.

FINDING 4

Property Tax Abatements Reduce a Substantial Share of Future Local Revenue

Local governments typically grant data centers property tax abatements of up to 100% for 15 to 30 years through Community Reinvestment Area agreements. All 17 data centers in New Albany receive abatements between 65% and 100%. Because schools receive roughly 63% of Ohio property taxes (Ohio Legislative Service Commission, 2025), abatements are primarily school revenue decisions. Among the public arrangements reviewed for this memo, payments in lieu of taxes recover only a fraction of the revenue that would be due under full taxation (Table 1).

Community	Abatement Terms	PILOT Terms	Approx. Recovery
New Albany	100% for 15 yrs, 75% next 15 yrs	$353K/yr rising to $1.1M by 2031	Small fraction
Sidney	100% for 30 yrs ($180-350M value)	$50M over 15 yrs; 50% to schools	~15-28%
Wilmington	100% for 30 yrs	30% of full taxes; ~44% to schools	~30%

Table 1. Selected Ohio data center abatement and PILOT terms. Recovery rates compare stated PILOT payments with estimated full property-tax liability over the abatement period, using publicly reported project values and local tax-sharing terms. Sources: New Albany, Sidney, and Wilmington Community Reinvestment Area and PILOT agreements and local reporting, compiled by the author; author's calculations.

A contrasting example: in April 2026, St. Louis approved a conditional use permit for a data center at the former Famous-Barr warehouse with no tax abatement (City of St. Louis, Apr. 21, 2026). The developer agreed not to seek local abatements, and the city projects $33.4 million for its public schools in the first year. The approval shows that at least one city has permitted a data center without local tax abatements while imposing enforceable fiscal, water, energy, tenant-disclosure, and decommissioning conditions.

FINDING 5

Data Centers Put Upward Pressure on Regional Electricity Prices, and On-Site Power Adds New Concerns

PJM's independent market monitor describes data center load growth as the primary reason for recent and expected tight capacity-market conditions and high prices, and estimates that data center loads added about $16.6 billion in capacity-market revenues across the 2025/2026 and 2026/2027 auctions, costs that flow to all ratepayers. Data centers account for roughly 94% of PJM's projected peak load growth through 2030 (about 30 of 32 GW). Many Ohio consumers saw default electric supply prices rise 10 to 36% in June 2025. A Dallas Fed working paper estimates existing data centers have raised wholesale prices 3 to 5% on average nationally, with modeled 2028 effects of roughly 20% under a moderate build-out and as much as 50% under high-utilization assumptions (Kay et al., 2026). These effects are regional and not traceable to any single facility, so the link between a given data center and an individual household's bill depends on retail rate design and cost allocation. PUCO approved an AEP Ohio tariff in July 2025 requiring data centers to pay for at least 85% of contracted capacity whether used or not, the principal protection for other ratepayers; it is under challenge at the Ohio Supreme Court (No. 2025-1458).

A newer development is on-site primary generation. Under R.C. 4906.01 and 4906.13(B), generating plants of 50 MW or more fall under the exclusive jurisdiction of the Ohio Power Siting Board, outside local zoning. In Hilliard, AEP Ohio is developing a 72.9 MW natural-gas solid oxide fuel-cell system to serve Amazon's data-center campus behind the meter, a project the city and Norwich Township oppose but cannot block. On-site natural gas generation of this kind raises concerns beyond the grid: rising demand for natural gas could put upward pressure on regional gas prices, and the generation raises local air-permitting and emissions concerns when facilities sit near homes, schools, or other sensitive receptors. Diesel backup generators, which most data centers maintain for emergencies, are a more routine and separate matter.

FINDING 6

Data Centers Create Few Jobs and Resemble Infrastructure More Than Economic Development

Data centers create few permanent jobs relative to their investment. Amazon's $3.5 billion New Albany investment is projected to generate 105 full-time positions, and early Ohio sales tax exemption agreements covered roughly $1 million in forgone state revenue per permanent job (Policy Matters Ohio, 2025). In this respect data centers resemble infrastructure, like highways, transmission lines, or pipelines, more than conventional economic development. Their benefits flow to users across the economy rather than concentrating in local jobs or payrolls. This distinction matters for local fiscal analysis: if benefits are broad and regional while costs and forgone property-tax revenues are local, then local abatement agreements should be evaluated differently from conventional job-creation incentives.

FOR LOCAL OFFICIALS

Questions to Ask About a Data Center Proposal

- What is the full value of proposed incentives, against the PILOT and income-tax sharing offered?
- How will the facility be powered, and is on-site generation planned?
- What are projected water and electricity demands at peak, not just on average?
- How many permanent jobs, and at what forgone revenue per job?
- Will fire, EMS, or schools need added capacity, and who pays for it?
- Is a decommissioning bond required if the facility closes or sits vacant?
- Who monitors compliance with the agreement, and are the tenants disclosed?

KEY REFERENCES

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