VIRGINIA'S DCRSUTE IN THE CONTEXT OF OTHER STATES

August 19, 2026

OVERVIEW

The Data Center Retail Sales and Use Tax Exemption (DCRSUTE) is a tax preference set out in the Virginia Tax Code.

The law directs any data center operator that wants to use the exemption to enter into a Memorandum of Understanding (MOU) with VEDP for each locality in which it intends to use the DCRSUTE, setting forth its commitment to meet certain capital investment and job creation requirements for each individual locality.

VEDP's role in the data center MOUs is ministerial.

- Tax law must be applied uniformly to all taxpayers; VEDP applies a consistent and objective approach to its MOUs.
- If any substantive questions arise about the DCRSUTE requiring an interpretation of the proper application of tax law, VEDP defers to the Department of Taxation

VEDP has the capability to validate capital investment and job creation based on its experience with other incentives; that is its main role with the DCRSUTE.

- Local tax records and Virginia Employment Commission reports are used to verify achievement of the targets.

MOU STEP-BY-STEP PROCESS

1 A data center operator communicates with VEDP that it wants to enter into an MOU to use the DCRSUTE in a particular locality.

2 VEDP uses a standard template for each MOU. The MOU is between VEDP and the data center operator.

3 The MOU is limited to pledging and tracking the metrics necessary to use the DCRSUTE and contractually obligating the data center operator to repay the Commonwealth for any value received if the metrics aren't met.

- The MOU is not related in any way to local zoning or siting decisions and does not affect other local decisions.

4 The MOU obligates the data center operator to $150M capital investment and the creation of 50 new full-time jobs paying at least 150% of the prevailing average wage of the locality in order to receive the tax benefit.

- If a locality has high unemployment and high poverty rates, the requirements are reduced to $70M capital investment and 10 new full-time jobs paying 150% of the prevailing average wage of the locality.

5 The data center operator has a five-year performance period.

- If the metrics are met and verified, the data center operator may continue to use the exemption through June 30, 2035 (the current statutory sunset date).
  - Once a data center operator meets the metrics in a particular locality, by statute, it may also use the same exemption certificate for other existing or future data centers that it owns in the locality.
  - The statute allows for the operator of a data center facility to aggregate the employees of its tenants to meet the job creation requirement.
- If the metrics are not met, the data center will be subject to a claw back, the amount of which will be based on an audit by the Department of Taxation and collected by VEDP.

6 The data center operator, on behalf of itself and any tenants, must submit an annual report to VEDP throughout the life of the exemption.

- The report shall include the project's employment levels, capital investments, average annual wages, qualifying expenses, and amount of tax benefit.

ISSUANCE OF THE DCRSUTE CERTIFICATE

VEDP sends the MOU to the Department of Taxation (TAX) as soon as it is executed.

- TAX issues the data center operator an exemption certificate — this usually takes about six weeks from the date of execution of the MOU.
- The data center operator may begin using the exemption immediately.
- If the metrics aren't met by the end of the five-year performance period, VEDP will notify TAX. TAX will revoke the exemption certificate and will audit the data center operator to determine the value of the exemption utilized during the performance period.
- The data center operator must repay the Commonwealth in an amount determined by TAX for deposit into the General Fund.

EXTENSION

In 2023, the General Assembly enacted a mechanism for data center operators that meet very high thresholds for job creation and capital investment to extend the use of the DCRSUTE beyond 2035.

Extension to 2040

Prior to July 1, 2035, the data center operator must invest $35B in localities identified in an extension MOU, and create 1,000 new full-time jobs, at least 100 of which pay 150% of the state prevailing average wage.

Extension to 2050[1]

Prior to July 1, 2040, the data center operator must invest $100B in localities identified in an extension MOU, and create 2,500 new full-time jobs, at least 100 of which pay 150% of the state prevailing average wage.

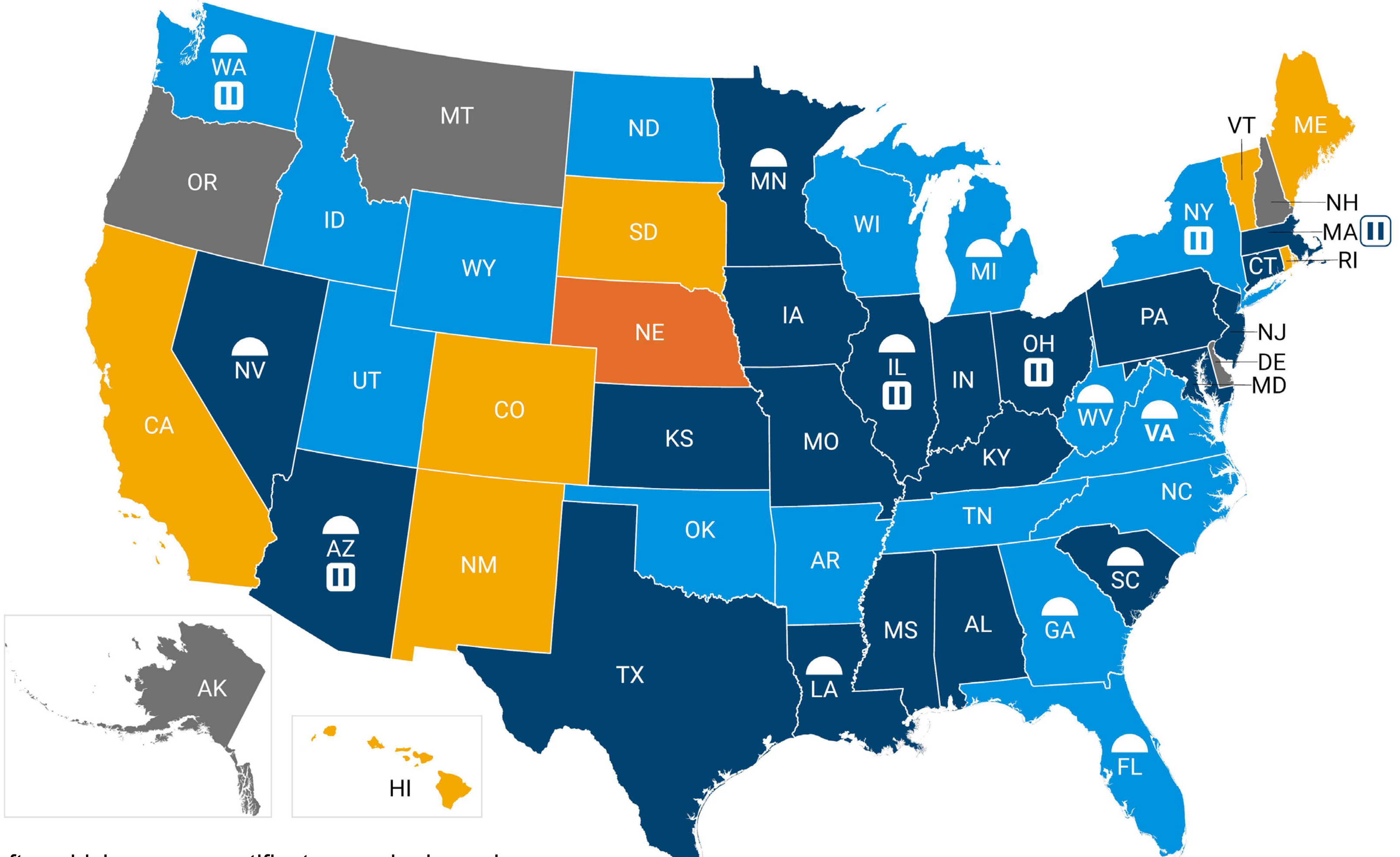
Once the extension metrics are met, the extension applies to all data centers owned by the data center operator in the Commonwealth.

[1] Investment and job creation used to satisfy the 2040 metrics also count toward the 2050 metrics.

36 STATES PROVIDE DATA CENTER RETAIL SALES AND USE TAX EXEMPTIONS, AN ADDITIONAL 5 STATES HAVE NO SALES AND USE TAX

Data Center Sales and Use Tax Status

- Provides an exemption for a specified term
- Provides an exemption with no set term
- Program has a sunset date[1]
- Moratorium or reduction to incentive scope[2]
- Does not have a sales and use tax
- Imposes sales tax on data center equipment
- Repealed its exemption[3]



[1]Washington, Illinois, and Louisiana have a statutory deadline after which no new certificates can be issued.

[2]Washington's exemption applies only to initial construction, equipment refreshes are subject to sales tax; Ohio, Illinois, Massachusetts, and New York have administrative moratoriums; Arizona has a legislative moratorium.

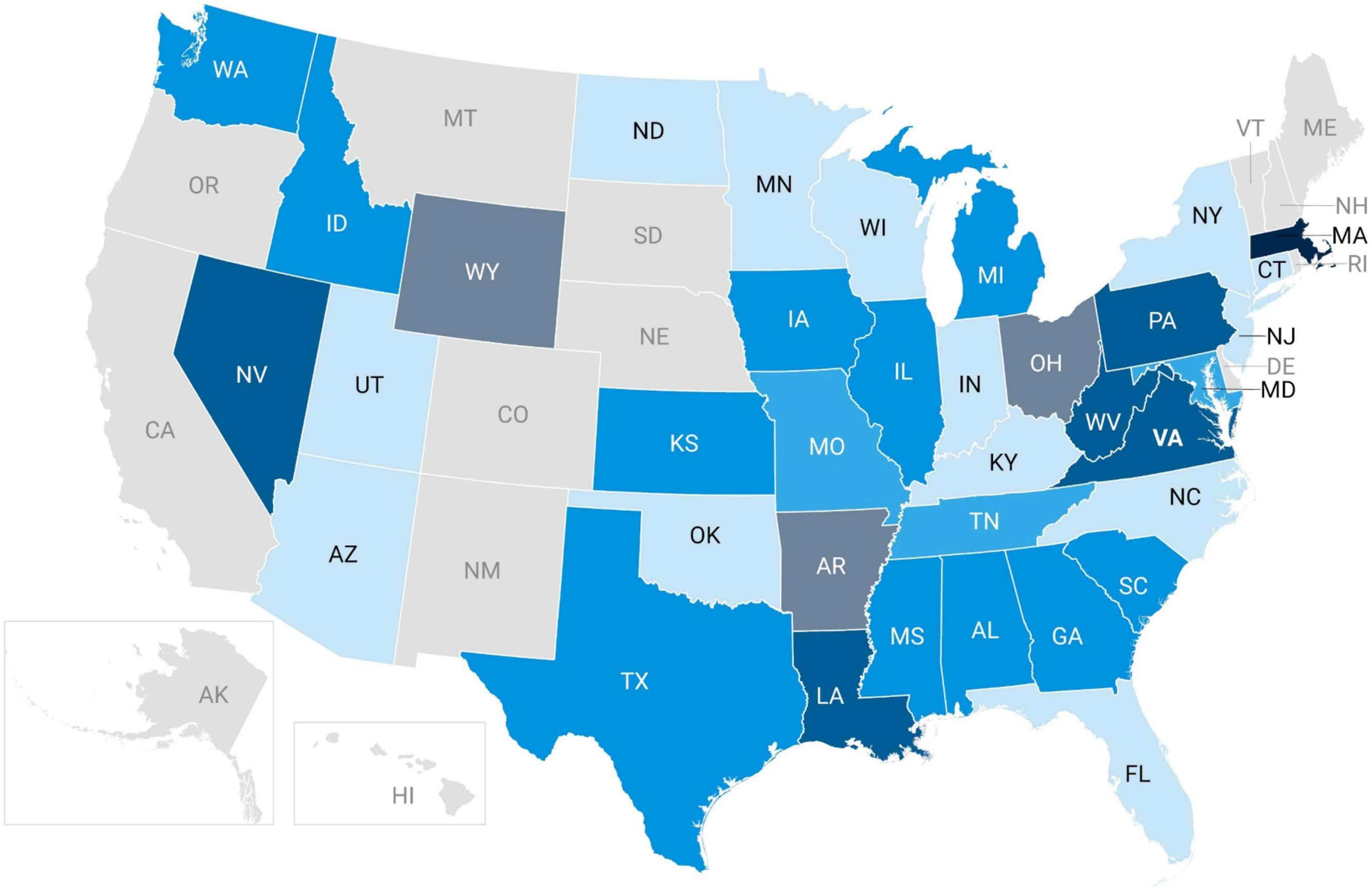
[3]Nebraska repealed its exemption for all future facilities, but certain existing facilities were grandfathered.

Source: National Conference of State Legislatures (August 19, 2026); VEDP analysis

23 STATES REQUIRE CREATION OF NEW JOBS TO RECEIVE EXEMPTION; 13 STATES HAVE NO JOB CREATION REQUIREMENT

Data Center Sales and Use Tax Status: Job Creation Requirements

- No requirement
- 5-15 jobs
- 20-35 jobs
- 45-50 jobs
- 100 jobs
- Other[2]

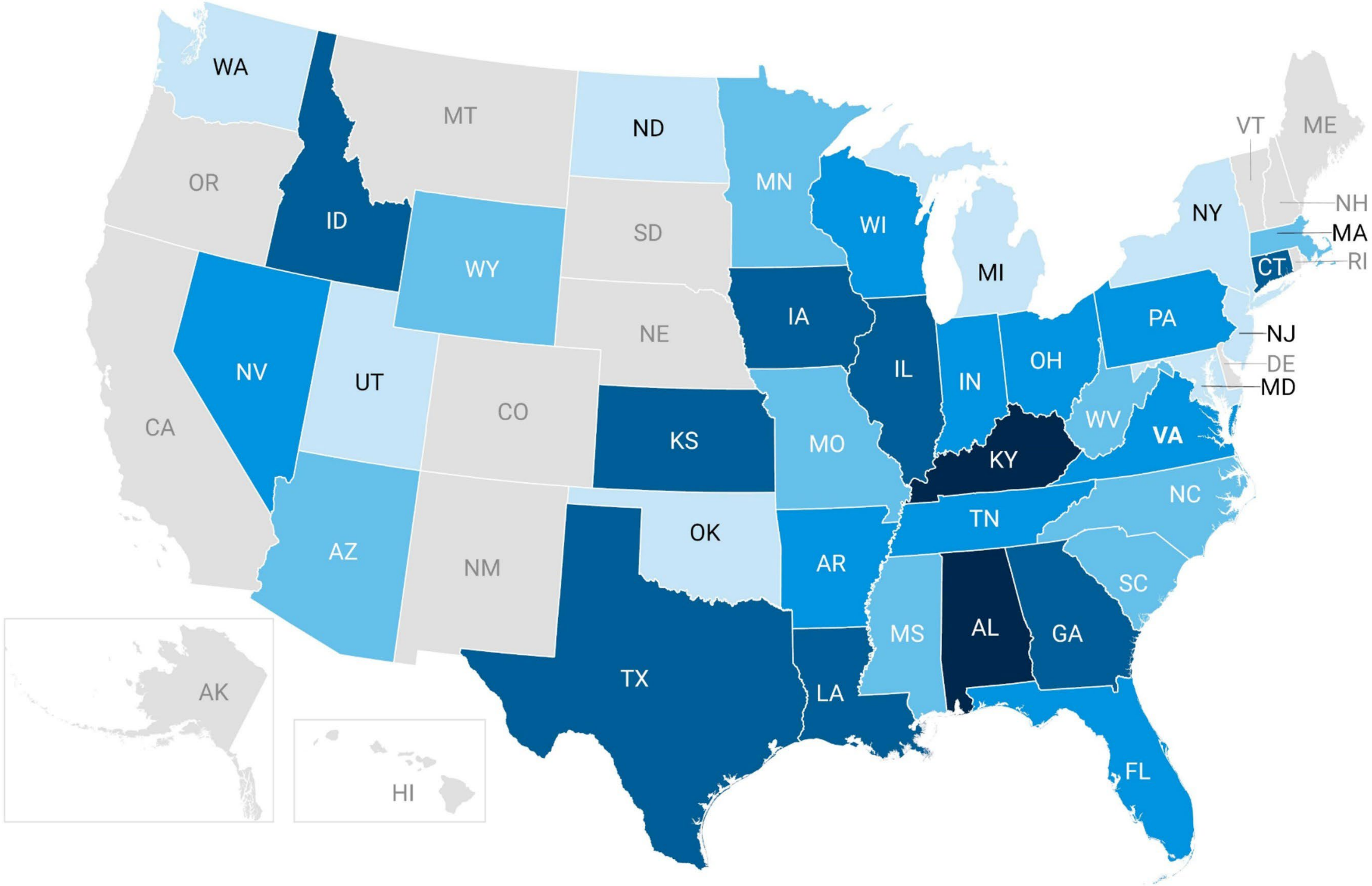


[1] Figures are based on new job requirement applicable to longest exemption term in the state.
[2] AR, OH requirement is based on total payroll at the facility. WY is based on subjective determination.
Source: National Conference of State Legislatures (August 19, 2026); VEDP analysis

28 STATES REQUIRE CAPITAL INVESTMENT TARGETS TO RECEIVE EXEMPTION; 8 STATES HAVE NO INVESTMENT REQUIREMENT

Data Center Sales and Use Tax Status: Capital Investment Requirements[1]

- No requirement
- $75M or less
- $100M-$150M
- $200M-$250M
- $400M-$450M



[1]Figures are based on capex requirement applicable to longest exemption term in the state.
Source: National Conference of State Legislatures (August 19, 2026); VEDP analysis

Q&A