

Energy and Technology Committee JOINT FAVORABLE REPORT

Bill No: SB-245 / [Bill Status](#) / [Public Hearing Testimony](#)

Title: AN ACT ELIMINATING CERTAIN TAX INCENTIVES FOR DATA CENTERS.

Vote Date: 3/17/2026

Vote Action: Joint Favorable Change of Reference to Finance, Revenue and Bonding

PH Date: 2/24/2026

File No.:

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SPONSORS OF BILL:

[Energy and Technology Committee](#)

CO-SPONSORS OF BILL:

[Rep. Steven Winter, 94th Dist.](#)

[Rep. Bill Buckbee, 67th Dist.](#)

[Rep. Nick Gauthier, 38th Dist.](#)

[Sen. Martha Marx, 20th Dist.](#)

REASONS FOR BILL:

Data centers have popularized throughout the country, Connecticut included. Currently, the state offers tax incentives for qualified data centers, as established in [PA 121-1](#). Data center projects need to have certain investments in order to be eligible. However, these data centers require a large usage of electricity and water. The rising use of data centers has come with increased concern on data centers, as the rise in demand may hurt the state's climate goals and increase energy prices. This bill addresses these concerns by eliminating certain tax incentives to data centers.

RESPONSE FROM ADMINISTRATION/AGENCY:

[Claire Coleman, Office of Consumer Counsel \(OCC\):](#)

The Office of Consumer Counsel appreciates the Committee's efforts to address rising energy costs but has a few additional recommendations for the committee to balance the benefits of data center growth with consumer protections.

The first recommendation is to establish rate designs and connection standards that protect both the customer and the grid, which would entail a designation of data centers as a distinct

class of electric consumers. This would ensure that such data centers would not benefit from standard commercial tariffs.

The second recommendation is to establish a “ratepayer shield” on cost recovery, which would entail data centers providing adequate financial guarantees, and requiring financial security and exit fees that would prevent ratepayers from paying for stranded electrical assets built specifically for a facility that fails or is cancelled.

The third recommendation is the legislature requires a holistic impact analysis on data center impacts to grid reliability, energy consumption, and water usage.

The fourth recommendation is that the legislature urges data centers to participate in demand-response and demand-flexibility practices that support long-term grid sustainability.

NATURE AND SOURCES OF SUPPORT:

Sharon Huttner, Branford Planning and Zoning, Branford Clean Energy Committee:

As a member of the Branford Planning and Zoning Clean Energy Committee, Sharon **supports** this bill, as data centers significantly strain the electric grid and water supply of the state. The large consumption of water by data centers is equivalent to the consumption of water from 10 to 50 thousand people, and the burden of infrastructure upgrades is put on households and small business.

Charles Rothenberger, Director of Government Relations, Save the Sound:

Save the Sound mentions how data center load growth has tripled over the past decade and is projected to double or triple by 2028, per the U.S. Department of Energy, and that data centers are expected to consume approximately 6.7 to 12% of total electricity in the United States by 2028. Unchecked development of data centers threatens the state's climate goals and are likely to result in higher electric rates for residents, as these data centers will rise demand. They mention how this bill is the minimum that the state should consider, and they additionally suggest that the Committee research proactive requirements for data centers. Six states have introduced data center moratoriums, and some states are also requiring that data centers pay the full cost of the grid improvements they require. Save the Sound urges the Committee to act, or else the state could be over-burdened by data centers.

John Erlingheuser, Senior Director of Advocacy, AARP Connecticut:

AARP **supports** eliminating state-level tax incentives and subsidies for data centers. They support legislation that creates specific and separate classifications for large energy users to prevent spillovers in cost to older residents. They also encourage transparency in legislation for utility regulation. They noted that in a recent AARP survey, seventy-five percent of Americans, regardless of party, believe that the legislature should ensure that residential customers do not subsidize the costs of new data centers.

Lori Brown, Executive Director, CT League of Conservation Voters:

The CT League of Conservation Voters (CTLCV) **supports** this bill, and recommends that the legislature eliminate the tax exemption for data centers, enshrine explicit requirements into existing climate and clean energy policy frameworks, require transparency with data center water and energy use, ensure that residents do not pay for data center costs, and require that all data centers must achieve every benchmark in the state's clean energy standard of one hundred percent clean electricity by 2040. They also encourage a required

payment of the prevailing wage rate for laborers and require data centers to attain a sustainable design or green building standard.

Samantha Dynowski, State Director, Sierra Club Connecticut:

Sierra Club Connecticut believes that it is now clear that large data centers without safeguards have a negative impact on ratepayers. Such negative impacts include energy demand and energy costs, air pollution, increased water usage, and loud noise. They further recommend that the legislature establishes requirements for data centers to pay their own electricity capacity, that data centers report on energy and water use, prohibit that data centers add more pollution, and require data centers to be sited away from communities to protect them from the loud noise.

Tom Swan, Executive Director, Connecticut Citizen Action Group:

The Connecticut Citizen Action Group **supports** this bill and urges the committee to additionally adopt further conditions for any data centers that are built in the future. They urge that the Committee demands transparency on water and clean energy usage, as well as subjecting data centers to prevailing wage laws and card check recognition of unions.

Shirley McCarthy, MD PhD, Professor, Yale University:

Professor McCarthy **supports** this bill, as unchecked data center development creates burdens on the residents, resulting in higher rates. Given the large amount of water that data centers consume, they should be regulated.

32 testimonies were expressed, five anonymously, in support for the bill. These individuals include:

Kevin Banach, Janet Bellamy, pau Connolly, Jamie Coss, Sustainability Analyst, Christina Duncan, Susan Eastwood, Lisa and Tom Finnegan, Elizabeth Frew, Laurie Klein, Jennifer Kleindienst, Irwin Krieger, Richard Landau, Elizabeth Maliniak, Madison Mulqueen, Kathy Pavlick, Robert Perry, Elizabeth Pezzi, Catherine Pratt, L Saller, Stephen Sawch, Lee Schacter PhD, MD, Margaret Sipple, Irene Skrybailo, Raina V, Guy Wanegar, Alison Zyla.

NATURE AND SOURCES OF OPPOSITION:

Mayor Pete Hess, Town of Naugatuck:

As the Mayor of the Town of Naugatuck, Mayor Hess **opposes** this bill unless it is amended to maintain incentives exclusively for data centers that operate without grid power for normal operations, avoids public water usage, and adheres to strict energy-only generator and emissions standards. As Naugatuck is working on developing their community to bring in new data centers, as it would help the town significantly, this bill would hurt the town's chances for capital-incentive investments for the community. Data center tax incentives provide municipalities the opportunity to secure long-term construction employment for significant projects. Instead of eliminating the incentive, the legislature should refine it to create no reliance on grid electricity, no use of public water for cooling, and limiting diesel generators to emergency backups. Naugatuck is looking to be an example as a site that attracts new generation infrastructure responsibly, and this bill would prohibit them from doing so.

Peter Myers, Senior Director, Connecticut Business and Industry Association (CBIA):

The CBIA opposes this bill, as large capital projects take many years to be developed. An elimination of the tax incentives would not give enough time that is required when planning and evaluating long-term investment with big projects. Removing the incentives would negatively hurt the state, as this bill would discourage future investment in Connecticut. Such investments support construction activity, long-term employment, and expansion of the local tax base.

Bryson Hull, Deputy Northeast Director, Consumer Energy Alliance:

The Consumer Energy Alliance (CEA) **opposes** this bill, as they believe it is a part of a campaign to restrict the use of data centers in the state. When other states, such as Arizona, Georgia, and New Mexico, are strong competitors in attracting long-term data center projects, Connecticut would no longer be able to compete for the benefits that data centers provide, such as high-paying jobs and tax revenue. There are not enough data centers in Connecticut to make a significant impact on the energy bills of its residents.

John Matheson, ReNew Developers, LLC:

As a Connecticut based, sustainable real estate development firm, ReNew Developers **oppose** this bill. On-site power generation is necessary for smaller data centers in Connecticut, where the cost of grid supplied commercial power delivered in Ohio, for example, is almost half the cost in Connecticut. The mill rate system for taxation on power adds additional costs. These costs make it very difficult for small data centers to be installed and operated in the state without the incentives intact.

ReNew Developers suggests that the committee makes several revisions, including realigning policy for data centers to generate their own power, limits the credits available to Qualified Data Centers in PA 121-1 to be available to only those that are under 50 megawatts in size, and adjusting the tax criteria in PA 121-1 to eliminate the need for a Fee Agreement, instead of requiring an up front payment of \$100,000 per megawatt, and to remove from the Property Tax exemption on the real property.

Reported by: Abigail Lockwood

Date: March 26th, 2026