

Data Centers and Utah's Property Tax

Data centers and related energy demands appear center stage as growth in artificial intelligence (AI) calls for more computing power. Given the enormous amounts of property value involved, projected rapid growth in data centers leads to complex questions and answers about how data center construction will impact property taxes for Utahns.

For existing Utah property owners, data centers will likely provide some initial property tax relief. This initial property tax relief will likely be accompanied by future tax shifts and volatility as Utah's Truth in Taxation policies take effect. Decision-makers will benefit from a careful fiscal analysis of each data center proposal.

Property Taxation of Data Centers

Data centers constitute commercial property valued at the county level for property tax purposes ("locally assessed" property). Data centers comprise both real property (land and buildings attached to the land) and tangible personal property (computers and other machinery and equipment inside the facilities).

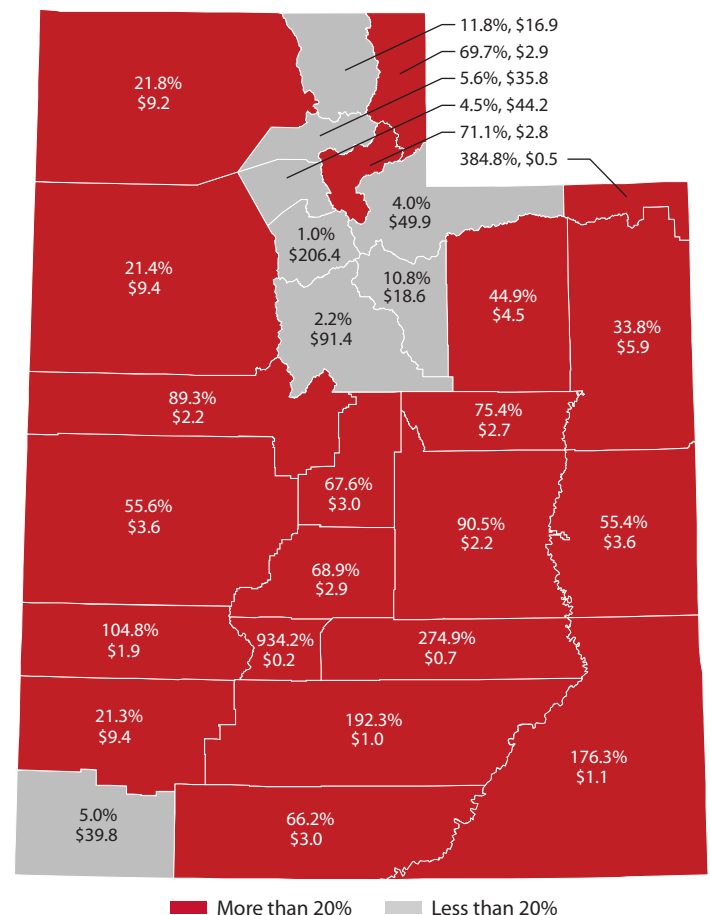
Definitions

- **Real property** – Land and improvements permanently affixed to the land.
- **Tangible personal property** – All tangible property other than real property; tangible property can be touched, seen, weighed, measured, felt, or is otherwise perceptible to the senses.
- **New growth** – Newly created property (new fixtures or construction that can generate new tax revenue); excludes personal property.*
- **Certified tax rate** – The tax rate that generates the same dollar amount of budgeted revenue in the prior year, exclusive of new growth.*
- **Taxing entity** – A political subdivision with legal authority to levy a property tax (school districts, cities, counties, some special districts).*
- **Project area** – A designated area created by a development authority, community reinvestment agency, or other political subdivision for economic development using tax increment financing.

*Under Utah's Truth in Taxation laws

\$2.0 Billion Data Center Exceeds 20% of the Property Tax Base of 21 Utah Counties

Figure 1: Property Tax Base (Billions) and \$2.0 Billion Data Center as Percent of Base by County, 2024



Note: A data center with \$2 billion in taxable value typically represents a large modern hyperscale campus requiring 100-300+ megawatts of electrical capacity and generally occupies between 50 and 200 acres. Analysts selected the data center taxable value based on recent data center announcements. In 2025, Novva announced the construction of a \$2 billion data center in West Jordan.

Source: Utah State Tax Commission

When a company builds a new data center, the real property portion of the data center (mainly buildings) will increase local government tax revenues as the property comes onto the tax rolls as "new growth" under Utah's Truth in Taxation system, as long as the data center is not in a project area.

The much more valuable personal property (like servers and equipment) will create very different impacts. Absent a taxing entity going through the Truth in Taxation process, increases in personal property value do not generate new tax revenue for local governments under existing law. Rather, it shifts property tax between taxpayers. Since personal property falls outside the statutory definition of “new growth,” it may initially decrease property taxes for existing taxpayers but then offset that initial decrease with rapidly increasing taxes for homeowners and other property taxpayers as that personal property rapidly depreciates. A companion piece addresses tax incentives for data centers.

Truth in Taxation

Revenue levels (rather than assessed property values) drive Utah’s Truth in Taxation system. That is, property value increases do not necessarily increase total property tax revenues.

A taxing entity can only collect the same dollar amount of property tax revenue each year, unless (a) “new growth” (newly constructed property) occurs within its boundaries or (b) if the entity follows a prescribed advertisement and hearing process to increase its revenues.

Excluding new growth, if existing property values increase, the “certified tax rate” decreases, holding the budgeted revenue dollar amount constant even though values increased. When “new growth” occurs from newly created property, the tax on that property generates a revenue increase in the first year and then becomes subject to the certified tax rate adjustment process in future years. However, if located within a special project area, only a portion of this potential new revenue may materialize, as the remainder helps fund the project itself.

Replacing data center personal property can potentially trigger a cycle of initial tax decreases for other taxpayers followed by offsetting future increases, resulting in a “boomerang” or “yo-yo” effect. Phased replacement of personal property may reduce these effects.

New and replaced personal property within a project area for a development authority or zone does not generate the same boomerang effect for other property taxpayers. Because property tax revenue generated from increased property values (“tax increment”) within the project area returns to the developer as a rebate for the duration of the project area, often many years or decades, increased personal property value within a project area does not result in tax shifts for other property taxpayers.¹

Property Taxation of Data Centers Under “Truth in Taxation”
Real Property

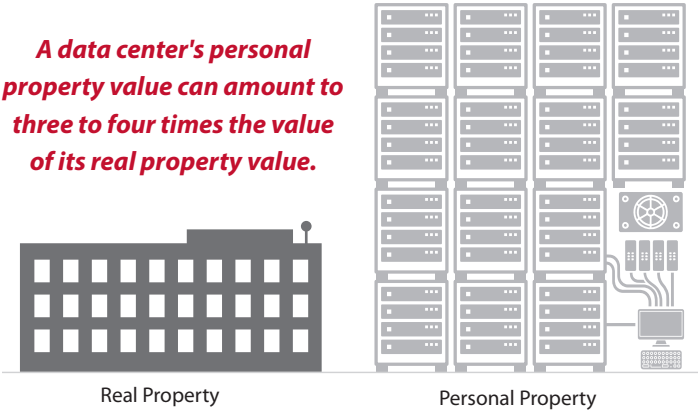
Data center real property construction represents “new growth” under Utah’s Truth in Taxation system, if not located within a project area. This means new data centers increase property tax revenue for taxing entities like school districts, counties, cities, and other local taxing entities.

Table 1: Example Tax Shifts for Increased Data Center Property Value

	Real Property	Personal Property
Pre-Data Center		
Baseline Value	\$3,000,000,000	\$150,000,000
Baseline Property Tax Revenue	\$30,000,000	\$1,500,000
Total Baseline Property Tax Revenue	\$31,500,000	
Data Center Property		
New Property Value	\$500,000,000	\$1,500,000,000
New Certified Tax Rate for All Taxpayers	0.68%	
“New Growth” Property Tax Paid by Data Centers	\$3,387,097	\$0
Total Property Tax Paid by Data Centers	\$3,387,097	\$10,161,290
Existing Property		
New Certified Tax Rate for All Taxpayers	0.68%	
Total Property Tax Paid by Existing Property Owners	\$20,322,581	\$1,016,129
Total Property Tax Revenue	\$34,887,097	

Source: Kem C. Gardner Policy Institute

Figure 2: Example Real Property vs. Personal Property Value for Data Centers



Source: Kem C. Gardner Policy Institute and Salt Lake County Assessor’s Office

A new data center’s real property valuation generates new property tax revenue at the tax rate imposed by each applicable taxing entity. This “new growth” does not trigger a drop in the certified tax rate (as occurs when values increase for existing properties) and therefore does not reduce the property tax of other taxpayers within the taxing entity (Table 1). Rather, it increases revenues to provide government services.

For traditional commercial property, a business’s real property valuation usually far exceeds its personal property valuation. However, data centers generally differ. Additionally, related property such as power plants or pipelines may be centrally assessed by the Utah State Tax Commission and generate added property value growth.

Table 2: Personal Property Percent Good Valuation, Computer Hardware (Class 12), 2026

Year of Ownership	Retained Value	Example - \$1 Billion in GPUs
1	100%	\$1.0 Billion
2	62%	\$0.62 Billion
3	46%	\$0.46 Billion
4	21%	\$0.21 Billion
5	9%	\$0.09 Billion
6	7%	\$0.07 Billion

Source: Utah State Tax Commission

Tangible Personal Property

A data center's personal property value (primarily high-value computer equipment) can amount to three to four times the value of its real property value (large warehouse-type facilities), assuming continued investment in personal property over time.² Utah's statutory definition of new growth (which does generate new property tax revenue overall) excludes personal property, so significant increases in personal property value do not result in new property tax revenue for taxing entities.

Tangible Personal Property Depreciation

Most data center personal property, such as graphics processing units (GPUs, or specialized computer chips) and servers, classify as Class 12 "Computer Hardware." This property depreciates on a five-year schedule for assessment purposes (Table 2).³

Consider a hypothetical data center that spends \$1 billion on GPUs in its first year. The GPU personal property valuation would drop from \$1 billion to \$620 million after the first year, and subsequently to \$460 million, \$210 million, \$90 million, and \$70 million over the course of five years (Table 1). These time horizons may not align with actual usage. Data centers may replace GPUs every one to five years, due to heavy utilization and obsolescence as technology advances rapidly.

Depreciation Impacts on Truth in Taxation

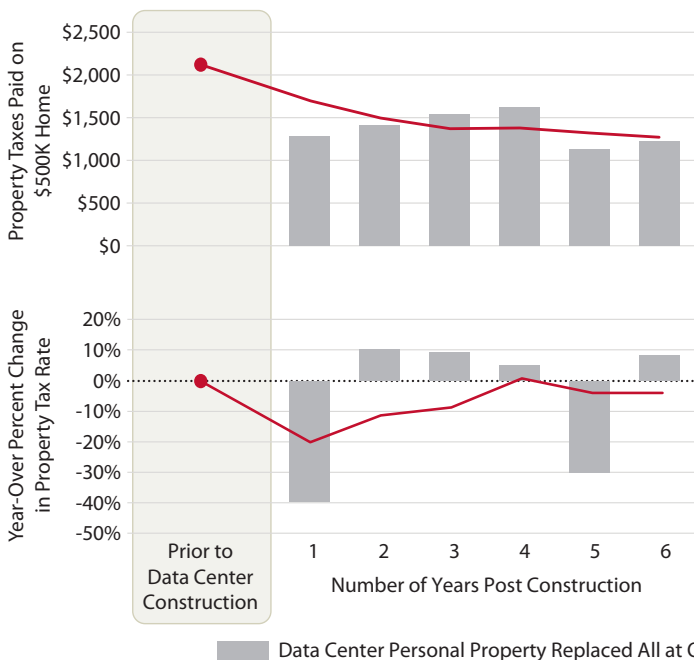
Under Utah's Truth in Taxation system, new growth excludes personal property. A data center's personal property acquisition would likely drop the certified tax rate in its first year, due to the increase in total property values within the taxing entity. This could initially cause a sizable drop in property taxes for existing taxpayers in areas with comparatively small tax bases.

That property's rapid depreciation may increase the certified tax rate in future years to maintain revenue neutrality. These certified tax rate fluctuations affect all property owners within the taxing entity. Property owners, particularly in rural counties with smaller tax bases, will likely experience higher property tax volatility due to this "boomerang effect" resulting from rapid depreciation and replacement of high-value personal property.

Rapid Personal Property Depreciation and Replacement can Create Substantial Property Tax Volatility for Existing Taxpayers

Figure 3: Data Center Impacts on Property Tax Bases and Year-Over Percent Change in Property Tax Rates Paid

Theoretical County with Small Property Tax Base*



Theoretical County with Mid-Sized Property Tax Base**



Note: Scenarios assume data center valued at \$2.0 billion, with \$500.0 million in real property and \$1.5 billion of personal property depreciating on a five-year schedule. Assumes all other property values grow at 5% and that no entities go through Truth in Taxation in this period.

*This theoretical county begins the time horizon with a \$2.5 billion property tax base and 0.9425% property tax rate. Values do not account for inflation.

**This theoretical county begins the time horizon with a \$12.7 billion property tax base and 0.9041% property tax rate. Values do not account for inflation.

Source: Kem C. Gardner analysis of Utah State Tax Commission data

Assessment Challenges

Data center technology evolves rapidly, posing challenges for accurate valuations. Currently, assessors usually utilize a cost approach to assess data center value. Most data center development reflects exact company specifications. Currently, data centers do not normally transact through open market purchases or leases that would generate sales or income data for a sales or income comparison approach.

However, some cost sources do not accurately reflect the evolution of construction, chips, and powering and cooling systems. This makes valuation a moving target and may result in increased valuation appeals from data center developers, particularly given their high property values. Major successful valuation appeals could further drive major property tax shifts to other taxpayers.

Additionally, given the uncertainty in valuation methodology for personal property and the rapidly changing market for AI and data centers and the likelihood of increased valuation appeals, resulting judgment levies could have significant impacts on affected taxpayers, particularly in smaller counties.

The impact depends largely on equipment replacement timing. Phased replacement (e.g., replacing 20% of personal property value each year) would substantially reduce this boomerang effect on existing taxpayers, while all-at-once replacement amplifies it. Figure 3 illustrates these scenarios for hypothetical counties with a small and mid-sized property tax base. Counties with a larger property tax base face more muted impacts.

Summary

Decision-makers will benefit from a careful analysis of the property tax impacts of each data center proposal. A data center can generate new revenue for local taxing entities with real property. It may also create major volatility for taxpayers in counties with smaller property tax bases through its rapidly depreciating personal property. However, property value increases occurring within project areas result in increased revenue for developers and not affecting other property taxpayers for the duration of the project area. Policy treatment of data centers' real and personal property, combined with how quickly data centers materialize, will shape the magnitude of these effects.

Endnotes

1. As of January 1, 2027, upon expiration of a project area, increased business personal property valuations add to the existing property tax base but not as "new growth," thus not resulting in new revenue but instead decreasing the certified tax rate. As such, some tax shifts may occur at that time, but given the long duration of project areas, the impacts are uncertain.
2. Salt Lake County Assessor's Office
3. Other equipment in data centers may classify as Class 3 "Short Life Equipment" (five-year depreciation schedule), Class 2 "Computer Integrated" (eight-year depreciation schedule), or in the case of server racking equipment, Class 5 "Furniture and Fixtures" (nine-year depreciation schedule).