

# 2023 DATA CENTER INDUSTRY TAX REVENUE REPORT

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# Prince William County

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## Executive Summary

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Prince William County is where the largest data center market in North America meets world-class fiber, internet connectivity, and an unmatched information technology workforce. Data centers operating in Prince William County benefit from densely packed fiber backbones and a massive network that currently moves an estimated 70% of the world's internet traffic daily. The explosion of cloud computing and artificial intelligence places Prince William County at the epicenter of data center investment for growing industries that rely on big data and analytics, including defense, cybersecurity, healthcare, and information technology. As of January 2023, Prince William County has 48 data center buildings on 33 parcels, totaling 7.04 million square feet, with an additional 2.04 million square feet under development.

This report provides an in-depth examination of real property and business tangible personal property tax revenues generated by data centers in Prince William County. Key insights are summarized below:

1. Contribution to Tax Revenues
  - The Data Center Industry contributes substantially to Prince William County's tax revenues, particularly through real property and business tangible property (BTP) taxes.
  - In tax year 2023, data centers accounted for a significant portion of the \$3.1 billion growth in commercial real estate assessed values, with an estimated 256 megawatts of data center capacity added in tax year 2022.
2. Growth Trends
  - The real estate assessed values of data centers have experienced significant growth over the past several years.
  - From tax years 2012 to 2023, total tax revenues from data centers increased from \$6.5 million to \$166.4 million, an increase of 2,475%.
3. Tax Categories
  - Real Property: Data Centers' high-power densities, large facilities, and expansive land holdings are attributes that are expected to further solidify real property as the predominant revenue source for Prince William County.
  - Business Tangible Property: Data Centers' heavy investments in computer equipment and peripherals (CE&P) are contributing significantly to this tax category.
  - Fees and Licensing: Steady growth in fees and licensing revenues is a by-product of expanding service operations of data centers.

## Introduction

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The objective of this report is to promote transparency and examine the tax revenues generated by data centers in Prince William County, with specific focus on real property and business tangible property. Data centers specialize in storing, managing, processing, and distributing digital data for clients across sectors such as finance, healthcare, and government. This report starts with an overview of the geographical positioning of data center buildings, followed by an overview of real and business tangible property assessments.

Prince William County has become a key hub for data centers due to its strategic location, robust fiber-optic infrastructure, reliable power supply, and business-friendly environment. In 2016, the Board of County Supervisors (Board) adopted the Data Center Opportunity Zone Overlay District to encourage data center development in specified areas of the County. This action aligns with the County's strategic plan to create a resilient economy by diversifying, supporting, and expanding the local economy to ensure equitable economic growth through innovative business/talent attraction, promotion, and investment.

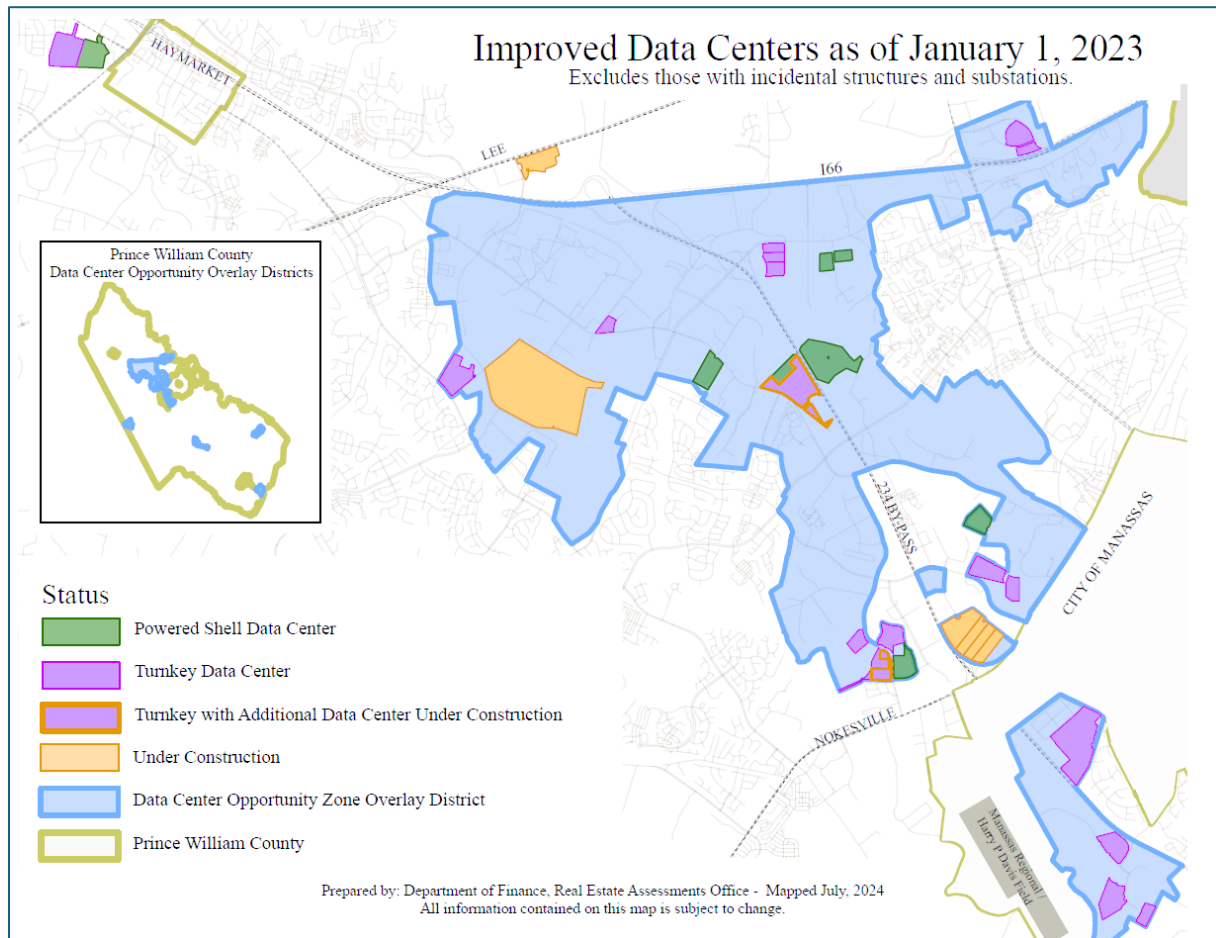
Consistent with the Board's Principles of Sound Financial Management, Prince William County employs a stable and diversified tax system to shelter from short-term fluctuations in any one revenue source, including real property taxes, business tangible property taxes, and business license taxes and fees.

This report includes a synopsis of the revenue contributions from these three primary revenue categories. The data presented covers tax years 2012 to 2023 and highlights trends, growth, and the impact of the data center industry on Prince William County's tax revenues.

## Data Center Map

The map below provides a geographic representation of the Data Center landscape in Prince William County at the beginning of tax year 2023. Highlights include current locations, category, and construction status.

The Data Center Opportunity Zone Overlay District presents dedicated areas for potential data center development. The Overlay District was created for the purpose of promoting development of data centers within areas of the County where there is existing power infrastructure that will support the proposed use.



Map 1: Improved Data Centers as of January 1, 2023



Data Center categories are defined as follows:

- Turnkey Data Center: An owner-occupied, single-tenant, or multi-tenant data center facility that is fully designed, built, and ready to operate. Often, a single entity owns the land, building and fixtures, and operates the building. “Turnkey” implies that the end-user only needs to “turn a key” to conduct business. A turnkey data center is sometimes referred to as a “wholesale” or “retail” colocation data center.
- Powered Shell Data Center: A data center facility where the developer constructs the building shell, with power and connectivity available, and the tenant finishes the interior build-out. For assessment purposes, a powered shell data center is assessed as a turnkey data center when the lease does not stipulate that the tenant retain full control of the tenant-installed fixtures. A powered shell data center is assessed as a powered shell when the lease clearly states that the tenant can or shall remove the fixtures at the end of the lease.
- Under-Construction: A data center building that is unfinished or partially complete (i.e., construction is ongoing).

## Real Property

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Real property includes land and improvements permanently affixed to the land. Real estate assessments and taxes are based on the “tax year,” which coincides with the calendar year. Assessments for tax year 2023 were made effective on January 1, 2023, and were entered into the County’s 2023 official assessment record or land book. Tax payments are divided into two equal installments. Payment for the first installment was due July 17, 2023, and payment for the second installment was due December 5, 2023. The County accounts for the revenues from this tax during the fiscal year in which the due dates fall. That is, real estate assessments and taxes for tax year 2023 are recognized as fiscal year 2024 County revenues.

During tax year 2023, real estate taxes generated 58% of Prince William County’s annual general revenue, with data centers accounting for 42% of the commercial assessments due to the high value of capital investment in data center facilities and land holdings.

### Assessing Data Center Real Property

Data center valuation considers the three traditional approaches to value: sales comparison approach, cost approach, and income approach.

#### Sales Comparison Approach

The sales comparison approach is based on the principle of substitution, which states that the value of real estate is determined by the cost of acquiring a similar property. Comparable properties that have recently sold are compared to a subject property. Adjustments are



made to the sale prices of the comparable properties to account for the differences between the comparables and the subject. The adjusted sale prices of the comparables yield a range of probable values for the subject property.

### Cost Approach

The cost approach provides a value indication that is the sum of the land value plus the depreciated cost of the improvements. The land value is determined using the Sales Comparison approach following a highest and best use analysis. The improvement value is determined by estimating the cost to replace or reproduce the improvements and subtracting depreciation (decrease in value). Depreciation can be caused by physical deterioration, functional obsolescence (outdated design or inefficient technology), or economic obsolescence (effects of factors outside the property such as high traffic volume).

### Income Approach

The income approach produces a value indication by converting a property's probable income stream into its value using a market-derived yield rate. In this approach, the effective gross income of a property is estimated by applying the appropriate rent, other income, and vacancy and collection loss to the subject based on market data/trends. Estimated normal operating expenses are deducted from the effective gross income to generate the net operating income. The net operating income is divided by a market capitalization rate to arrive at the subject property's income value. Capitalization rates can be derived from sales of comparable properties by dividing the comparables' income streams by their respective sale prices. There are also reliable published sources for national, regional, and local capitalization rates within each major commercial sector.

In 2022, the Virginia legislature enacted § 58.1-3295.3 of the Code of Virginia, requiring data center fixtures to be assessed using the Cost Approach. This necessitated the County employing a combination of approaches as cost manuals used in the Cost Approach are not adequate to address the complexities of a data center. The "hybrid" approach adopted by the County utilizes the Income Approach to establish the fair market value of the land and the shell building of the data center, and the Cost Approach to establish the fair market value of the real estate fixtures. In using the Cost Approach for fixtures, a mass appraisal model was designed that incorporates the average cost to build a data center from industry publications, an appropriate entrepreneurial profit margin, a percentage share assigned to the fixtures, and a dedicated depreciation schedule.

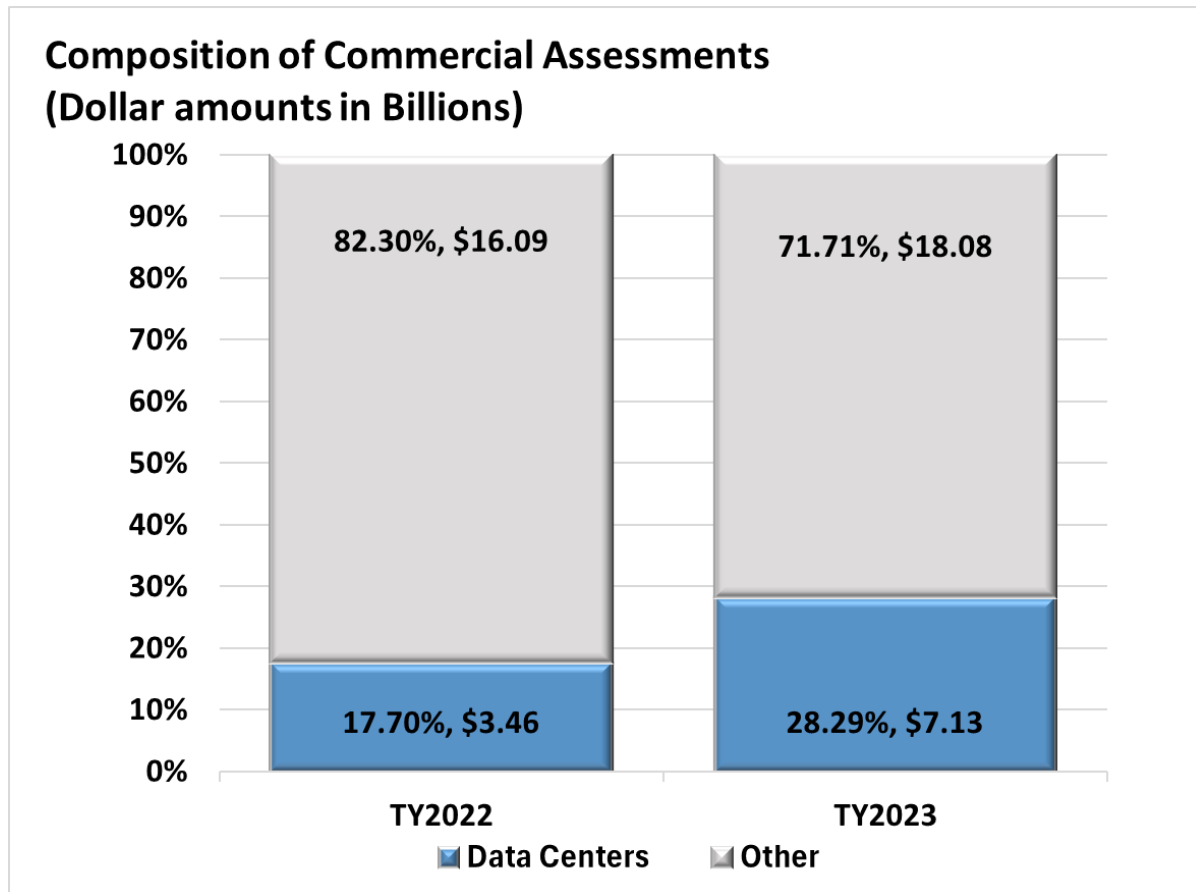
### Data Center Real Property Assessed Value

Changes in assessed values year-over-year are primarily driven by growth (i.e., new buildings, land subdivisions, and/or rezonings) and appreciation/depreciation (i.e., market

changes). Locally assessed commercial and industrial property values increased 42% from tax years 2022 to 2023, with growth accounting for 24% of this increase.

The assessments of data centers have grown significantly over the past several years. Data centers accounted for 74% of the approximately \$3.1 billion in commercial growth in tax year 2023, with approximately 256 megawatts of data center capacity added in tax year 2022.

The following graph displays data center assessments in relation to all commercial assessments.



Graph 1: Composition of Real Property Commercial Assessments<sup>1</sup>

### Data Centers Capacity

A summary of the current state of the three categories of data centers for assessment purposes - Turnkey, Powered Shell, and Under Construction - is provided in Table 1. The table offers insight into key metrics such as megawatt (MW) capacity, square footage (SqFt), and assessed value for each data center type.

<sup>1</sup> Graph 1: Excludes apartments.

While MW capacity for Powered Shell and Under Construction facilities are not tracked for real estate assessment purposes, Prince William County currently uses an estimated market-derived power density of 175 Watts per SqFt where needed. Therefore, the combined MW capacity for Powered Shell and Under Construction facilities could have been as high as 757 MWs in tax year 2023.

Real Property Type	MegaWatt Capacity			Square Footage			TY2023 Assessed Value
	TY2023	TY2022	Change	TY2023	TY2022	Change	
Turnkey	622	366	256	4,753,863	2,811,864	1,941,999	\$4,717,740,900
Powered Shell	n/a	n/a	n/a	2,287,847	2,654,681	(366,834)	540,256,300
Under Construction	n/a	n/a	n/a	2,040,205	804,593	1,235,612	739,311,000
Total	622	366	256	9,081,915	6,271,138	2,810,777	\$5,997,308,200

**Table 1: Data Centers Improved Parcels <sup>2</sup>**

Turnkey Data Centers assessments include value for real property fixtures (fixtures) and exclude value for personal property such as computer equipment and peripherals and office furniture and furnishings. Examples of fixtures are climate-control systems, fire-protection systems, freight and passenger elevators, high-power generators (including housing), and Uninterruptable Power Systems (UPS), often referred to as redundancies. The MW capacity can be reported by owners or sourced from building plans, online publications, and market data estimates.

In Powered Shell Data Centers, fixtures are owned, installed, maintained, and shall or can be removed by the lessee (tenant) at the end of the term. Real estate assessments do not include value for fixtures reported by the tenant to the Tax Administration Division and assessed as business tangible property.

Facilities under construction are typically partially completed buildings with no fixtures installed.

**Turnkey Data Centers**

- MW capacity: Turnkey Data Centers showed an increase in estimated MW capacity, with an addition of approximately 256 MWs in tax year 2022 attributable exclusively to new construction. The overall change for the year of 366 MWs from 256 MWs in tax year 2022 to 622 MWs in tax year 2023 includes approximately 64 MWs from three facilities previously categorized as powered shell data centers as well as 46 MWs due to updates (i.e., corrections of errors and/or omissions or expansion in an existing facility).

<sup>2</sup> Table 1: The change column for MW capacity and square footage includes additions, reclassifications, and correction of errors and/or omissions.

- Square footage: Construction completion added 1,562,823 SqFt to Turnkey Data Centers in tax year 2022. The 1,941,999 SqFt net change includes the aforementioned construction completion, 366,834 SqFt reclassification from powered shell to turnkey and 12,342 SqFt change due to corrections of errors and/or omissions.
- Building count: The total number of buildings for Turnkey Data Centers is 33, with eight new buildings added in tax year 2022. The 2023 total building count also includes three Powered Shell Data Centers that were reclassified to Turnkey Data Centers as the tenant purchased their lease and became an owner-occupant.
- Assessed value: The tax year 2023 total assessed value for Turnkey Data Centers of \$4,717,740,900 includes the assessed value for a data center owned by a public utility company. Properties owned by public utility companies are assessed by the Virginia State Corporation Commission (SCC).

### Powered Shell Data Centers

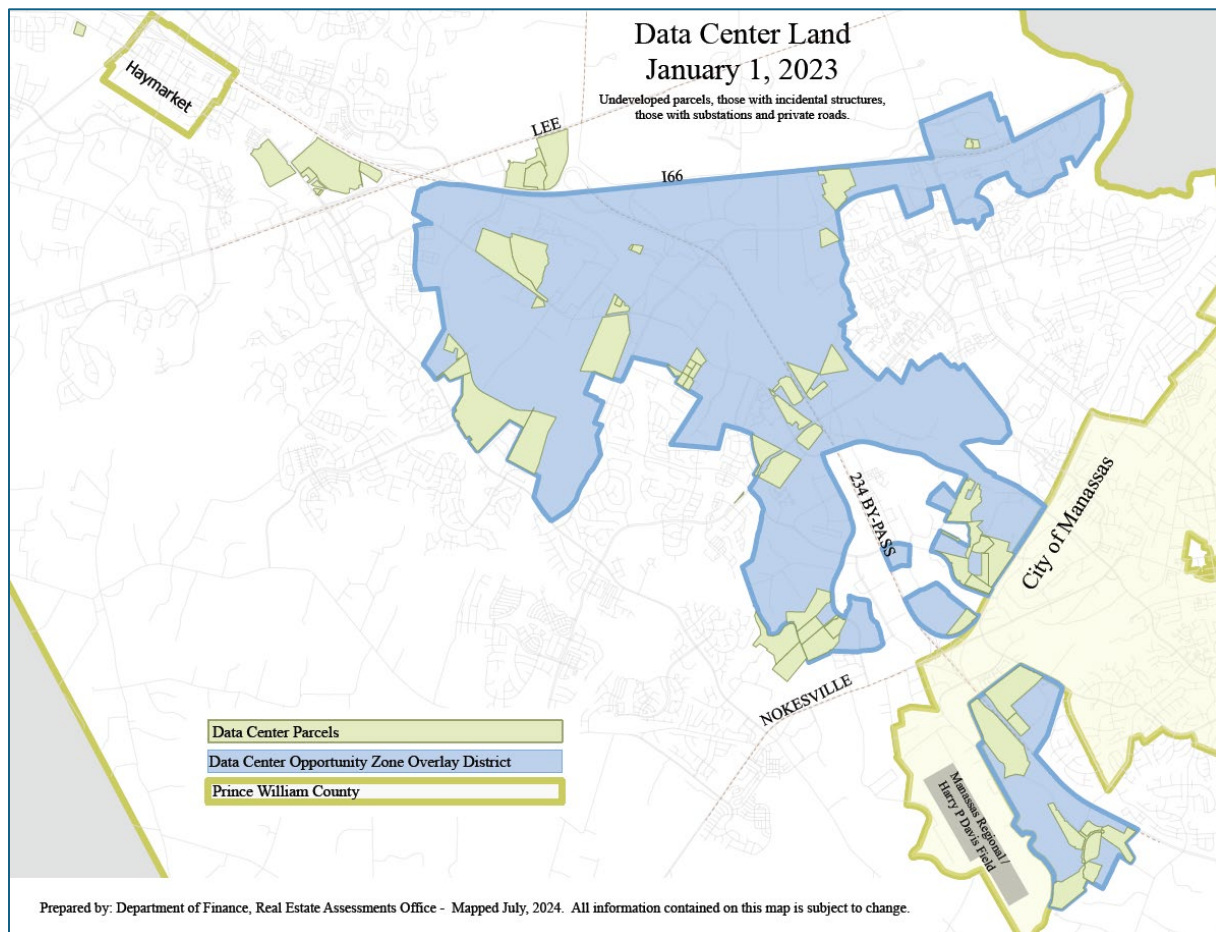
- MW capacity: MW capacity is not tracked for Powered Shell Data Centers. However, using an estimated 175 Watts/SqFt power density observed in the market, Powered Shell Data Centers may have total potential capacity of 400 MWs. No capacity was added in tax year 2022.
- Square footage: Powered Shell Data Centers account for a total of 2,287,847 SqFt. All the tax year 2022 built data centers were counted as a Turnkey Data Center; no data center was added to the Powered Shell Data Centers category in tax year 2022. Three Powered Shell Data Centers were reclassified as Turnkey Data Centers, resulting in a decrease of 366,834 SqFt in this category.
- Building count: The total number of Powered Shell Data Centers buildings in tax year 2023 was 15.
- Assessed value: The tax year 2023 assessed value for Powered Shell Data Centers was \$540,256,300.

### Under Construction Data Centers

- MW capacity: These facilities do not yet have power capacity. Going by a 175 Watts/SqFt density that is observed in the market, these buildings may have a total possible capacity of 357 MWs.
- Square footage: The Under Construction data centers encompassed 2,040,205 SqFt.
- Building count: There were nine buildings under construction as of January 1, 2023. Construction of data centers typically takes one year from start to finish, except in 2020 through 2022 when the industry was negatively impacted by the COVID-19 pandemic. Lack of material supply, labor, and power source are the other causes of delay.
- Assessed value: The tax year 2023 total assessed value for data centers Under Construction was \$739,311,000.

## Data Centers Vacant Land

The map displayed below highlights vacant parcels zoned and/or planned for data centers, signifying that Prince William County will continue to be a critical hub for future data centers development. Data centers land is comprised of raw parcels and those with incidental structures such as depreciated houses and offices, paving, sheds, and other structures which confer minimal value contribution to a commercial parcel. The map contains parcels with substations and private roads primarily for data centers use; however, it does not include public right-of-way, homeowners' association parcels, cemetery sites, and improved lots that may have additional land to be developed.



Map 2: Prince William County Data Centers Land

## Data Centers Land

- Total Acreage: Vacant land as well as land with incidental structures and substations that are categorized as data centers land in tax year 2023 totaled 1,502 acres.
- 121 acres were added in tax year 2022 due to rezonings, acquisitions by data centers operators, and corrections of errors and/or omissions.



- The overall change in vacant land was a decrease of 344 acres, indicating that more land was reclassified from vacant to improved parcels than was added as data centers land.
- Substations are assessed by the SCC and billed by Prince William County. The increase in substation count was not due to new construction. In 2023, appraisal staff began tracking identified substations in the area, recognizing that substations are an essential element to data centers. These substations allow power from the local utility to be interconnected to the data centers.
- The tax year 2023 data centers total vacant land assessment was \$1,312,129,300.
- Data centers land sold for as much as \$2,617,800 per acre in tax year 2022 and as much as \$3,091,200 per acre in tax year 2023.

Real Property Type	Acreage			TY2023 Assessed Value
	TY2023	TY2022	Change	
Vacant Land	1,426	1,770	(344)	\$1,277,836,900
Substations	76	16	60	34,292,400
Total Data Center Land	1,502	1,786	(284)	\$1,312,129,300

**Table 2: Data Centers Land Acreage and Assessed Values**

## Business Tangible Property

The business tangible property category encompasses assets such as furniture, fixtures, computer equipment and peripherals, and machinery and tools used by businesses within the County on January 1 of each year. Every business owning tangible property subject to taxation by the County shall file an annual return with the Director of Finance on or before April 15 of each year. The tax liability will be due October 5 of the same year. Tax revenue generated by business tangible assets provide a material contribution to the County's general fund revenues.

### Classification and Reporting

The Code of Virginia § 58.1-3506 identifies classifications for taxation, including programmable computer equipment and peripherals and programmable computer equipment and peripheral used in data centers. Prince William County taxes computer equipment and peripherals, regardless of their use in a data center or non-data center at the same rate. The County maintained a business tangible property tax rate of \$1.25 per \$100 of assessed value for computer equipment and peripherals from tax year 2012 to tax year 2019. Beginning in tax year 2020, the tax rate was gradually increased, rising to \$1.35 in tax year 2020, \$1.50 in tax year 2021, \$1.65 in tax year 2022, and \$2.15 in tax year 2023. Meanwhile, the tax rate for business tangible property furniture and fixtures remained steady at \$3.70 per \$100 of assessed value throughout the period from tax year 2012 to tax year 2023.

Tax Year	Computer Equipment & Peripherals	Furniture & Fixtures
2012	\$1.25	\$3.70
2013	\$1.25	\$3.70
2014	\$1.25	\$3.70
2015	\$1.25	\$3.70
2016	\$1.25	\$3.70
2017	\$1.25	\$3.70
2018	\$1.25	\$3.70
2019	\$1.25	\$3.70
2020	\$1.35	\$3.70
2021	\$1.50	\$3.70
2022	\$1.65	\$3.70
2023	\$2.15	\$3.70

**Table 3: Historical Tax Rates for Business Tangible Property**



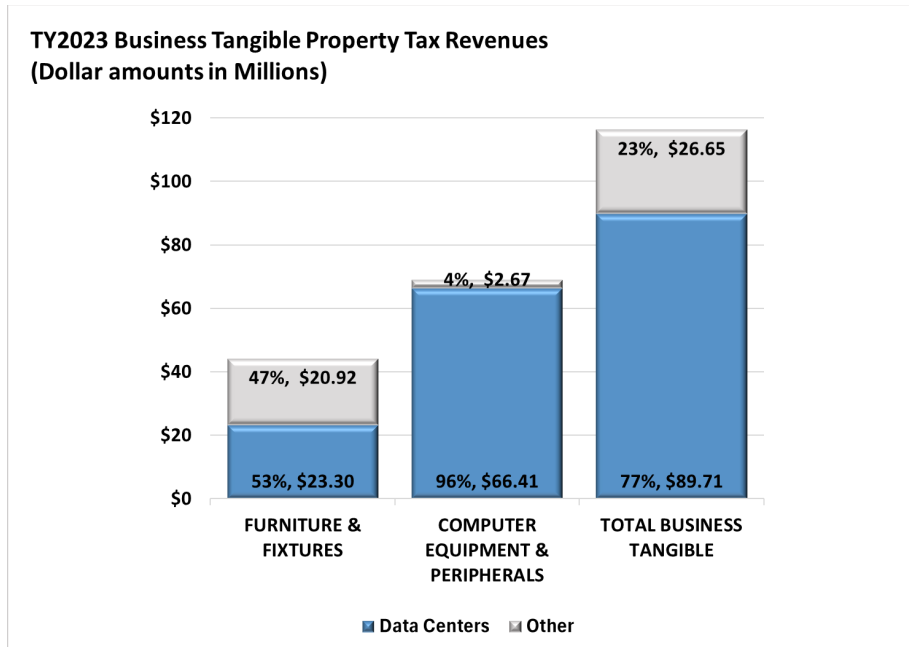
Business owners must report business tangible property annually, including detailed listings, original cost, and year of purchase. Prince William County applies assessment factors, which decrease over time to reflect depreciation.

- Furniture and Fixtures: Assessed from 85% of original cost for recent purchases to a minimum of 10% for items nine or more years old.
- Computer Equipment and Peripherals: Assessed from 50% of original cost for recent purchases to a minimum of 5% for items five or more years old.
- Heavy Equipment and Machinery: Assessed from 80% of original cost for recent purchases to a minimum of 10% for items six or more years old.

### Revenue Contributions from Data Centers vs. Non-Data Centers

The following section provides a comparison of contributions to business tangible property tax revenues from Data Centers versus Non-Data Centers during tax year 2023. The analysis reveals the significant role data centers play in Prince William County's revenue structure, specifically in the classifications of Furniture and Fixtures and Computer Equipment and Peripherals.

The Heavy Equipment and Machinery classification includes contributions solely from Non-Data Centers. This is an expected outcome given earth moving equipment is typically affiliated with industries such as manufacturing, construction, and transportation. In comparison, Data Centers primarily rely on advanced computer systems and related equipment.



**Graph 2: Business Tangible Property Tax Revenues from Data Centers<sup>3</sup>**

### Furniture and Fixtures

- Total Revenue Tax Year 2023: \$44.2 million
- Data Centers Contribution: \$23.3 million
- Tax Rate: \$3.70 per \$100 of assessed value

Data Centers and Non-Data Centers contribute almost equally to the Furniture and Fixtures category, with Data Centers slightly higher at 53% versus 47% for Non-Data Centers. The considerable contribution to total business tangible property tax revenue suggests that both sectors are significant consumers of furniture and fixtures. Although operational staff and the need for office furniture within data centers are limited, racks that house equipment within data centers may be reported under this category.

### Computer Equipment and Peripherals

- Total Revenue Tax Year 2023: \$69.0 million
- Data Centers Contribution: \$66.4 million
- Tax Rate: \$2.15 per \$100 of assessed value

Data Centers dominate the Computer Equipment and Peripherals classification, contributing 96% of the total revenue. The disproportionate revenue profile when compared to Non-Data Centers reflects the core nature of data centers, which heavily invest in high-value computer equipment and peripherals essential for their operations.

<sup>3</sup> Graph 2: Heavy Equipment and Machinery Tax Revenue is included in the Total column.

While tax revenue from the Heavy Equipment and Machinery classification is included in the total Business Tangible Revenue bar in Graph 2, these revenues, totaling \$3.06 million, are exclusive to Non-Data Centers businesses.

## Historical Revenue Trends

### Furniture and Fixtures

- Total Revenue Growth: Increased from \$14.97 million in tax year 2012 to \$44.23 million in tax year 2023.
- Data Centers Revenue: Grew from \$0.42 million in tax year 2012 to \$23.30 million in tax year 2023.
- Non-Data Centers Revenue: Increased from \$14.55 million in tax year 2012 to \$20.92 million in tax year 2023.

Tax Year	Data Centers	Non-Data Centers	Total Revenues	% Data Centers	% Y-O-Y Growth	% Total Growth
2012	\$0.42	\$14.55	\$14.97	2.8%	-	-
2013	\$0.84	\$14.98	\$15.82	5.3%	98%	98%
2014	\$3.31	\$15.42	\$18.73	17.7%	296%	684%
2015	\$5.61	\$16.03	\$21.64	25.9%	70%	1,231%
2016	\$7.35	\$16.18	\$23.53	31.2%	31%	1,642%
2017	\$8.46	\$17.51	\$25.97	32.6%	15%	1,906%
2018	\$10.06	\$17.73	\$27.79	36.2%	19%	2,286%
2019	\$11.09	\$18.92	\$30.01	37.0%	10%	2,529%
2020	\$16.46	\$19.19	\$35.65	46.2%	48%	3,803%
2021	\$20.27	\$19.46	\$39.73	51.0%	23%	4,705%
2022	\$22.03	\$19.99	\$42.02	52.4%	9%	5,123%
2023	\$23.30	\$20.92	\$44.23	52.7%	6%	5,425%

**Table 4: Furniture and Fixtures tax revenue contributions from Data Centers (\$ in millions)**

Total business tangible property tax revenue from the furniture and fixtures classification has seen a remarkable rise from \$14.97 million in tax year 2012 to \$44.23 million in tax year 2023. Significant growth spurts occurred during the early tax years (2013-2016) and again in tax year 2020, indicating periods of rapid expansion.

Revenue derived from data centers has surged dramatically, growing from \$0.42 million in tax year 2012 to \$23.30 million in tax year 2023. Meanwhile, non-data centers revenue increased at a more gradual pace, from \$14.55 million in tax year 2012 to \$20.92 million in tax year 2023. There has been a consistent rise in the percentage of revenue generated by data centers, starting at 2.8% in tax year 2012 and reaching 52.7% in tax year 2023.

Year-over-year revenue changes have varied, with significant peaks in growth: 98% in tax year 2013, 296% in tax year 2014, 70% in tax year 2015 and 48% in tax year 2020. Overall growth has reached an impressive 5,425% from tax year 2012 to tax year 2023.

### Computer Equipment and Peripherals

- Total Revenue Growth: Increased from \$3.39 million in tax year 2012 to \$69.07 million in tax year 2023.
- Data Centers Revenue: Increased from \$2.21 million in tax year 2012 to \$66.41 million in tax year 2023.
- Non-Data Centers Revenue: Increased from \$1.18 million in tax year 2012 to \$2.67 million in tax year 2023.

Tax Year	Data Centers	Non-Data Centers	Total Revenues	% Data Centers	% Y-O-Y Growth	% Total Growth
2012	\$2.21	\$1.18	\$3.39	65.2%	-	-
2013	\$2.76	\$1.16	\$3.92	70.4%	25%	25%
2014	\$3.97	\$1.02	\$4.98	79.6%	44%	79%
2015	\$6.74	\$0.84	\$7.58	88.9%	70%	205%
2016	\$9.11	\$1.08	\$10.19	89.4%	35%	312%
2017	\$10.48	\$0.82	\$11.30	92.8%	15%	374%
2018	\$15.38	\$0.66	\$16.03	95.9%	47%	595%
2019	\$20.28	\$0.61	\$20.89	97.1%	32%	817%
2020	\$24.56	\$1.03	\$25.59	96.0%	21%	1,010%
2021	\$34.14	\$1.22	\$35.35	96.6%	39%	1,443%
2022	\$40.38	\$1.18	\$41.57	97.2%	18%	1,726%
2023	\$66.41	\$2.67	\$69.07	96.1%	64%	2,903%

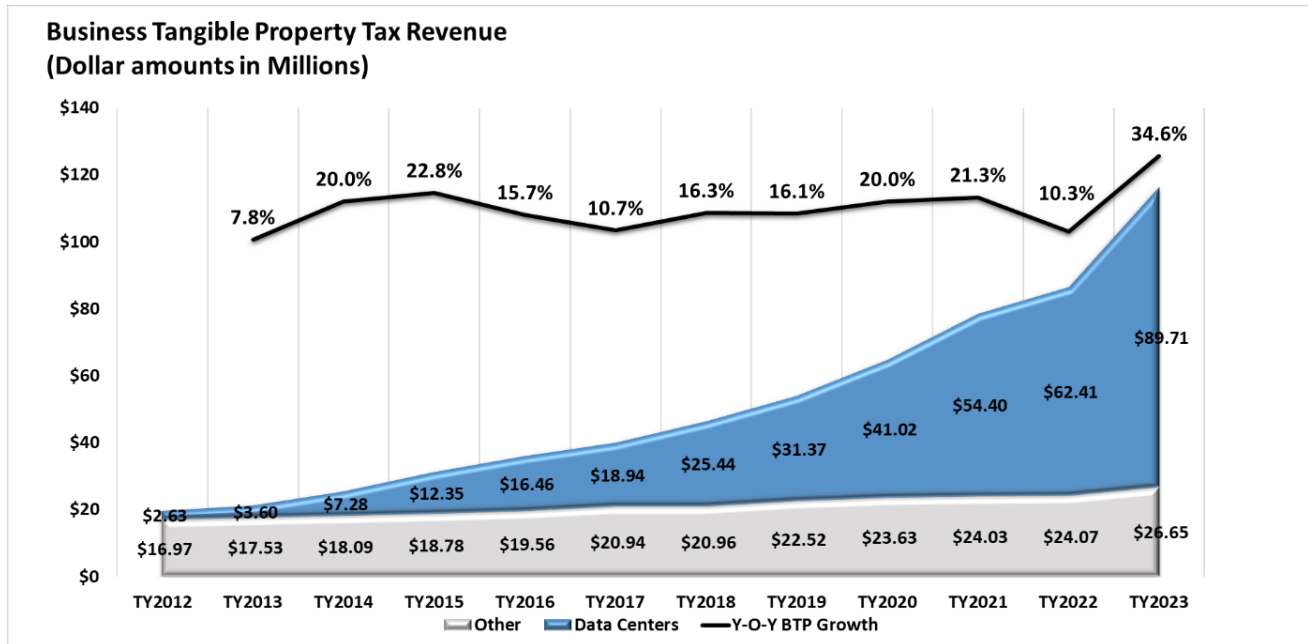
**Table 5: Computer Equipment and Peripherals tax revenue contributions from Data Centers (\$ in millions)**

The total business tangible property tax revenue generated by the Computer Equipment and Peripherals classification has shown a significant increase from \$3.39 million in tax year 2012 to \$69.07 million in tax year 2023. Revenue from data centers has grown substantially, from \$2.21 million in tax year 2012 to \$66.41 million in tax year 2023. Non-data centers revenue, while increasing overall, shows more variability and a smaller scale of growth compared to data centers revenue.

There has been a consistent increase in the percentage of revenue coming from data centers, starting at 65.2% in tax year 2012 and reaching over 96% in recent tax years (2020-2023). The percentage change in revenue from one year to the next has fluctuated, with notable peaks in growth: 70% in tax year 2015, 47% in tax year 2018, and 64% in tax year

2023. Overall, the increase in total revenue growth from tax year 2012 to tax year 2023 is marked by a gain of 2,903%.

In comparison, the total business tangible property revenue percentage year-over-year growth is mainly driven by the strong year-over-year growth specific to revenues from data centers, while year-over-year growth from non-data centers has remained steady.



**Graph 3: Business Tangible Property Tax Revenue, % Year-Over-Year Growth**

## Fees and Licensing

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In Prince William County, businesses must remit a business, professional, and occupational license (BPOL) tax when their annual gross receipts are \$500,000 or greater. Tax rates vary by business classification, with data centers' activities classified under Repair, Business, Personal and Other Services.

Real property fees, which support services like waste management and stormwater management, vary by bill.

There are no specific fees for business tangible property, but administrative and late filing fees generate revenue.

Late filings incur a 10% penalty and 10% interest from the due date's first day, with a \$30 collection fee for accounts delinquent over 30 days, ensuring efficient revenue collection and compliance with tax regulations.

Revenue from fees and licensing increased from \$0.3 million in tax year 2012 to \$1.3 million in tax year 2023.

The growth in revenues from fees and licensing is mainly driven by a rising presence of data centers in the County. The proliferation of data centers has led to an increase in services and infrastructure as additional businesses and buildings have come online. Consequently, the rise in data center activity has contributed to higher revenue from business licenses, real property fees, and administrative fees, reflecting the expanding economic base and increased business activity in the region.

# Data Centers Revenues Analysis

Analyzing tax revenues from real property, business tangible property, and fees and licensing allows Prince William County to assess its tax base performance. Historical revenue data analysis reveals patterns, trends, and areas for improvement.

Tax Year	Real Property	Computer Equipment & Peripherals	Furniture & Fixtures	Fees & Licensing	Total Revenues	% Y-O-Y Growth	% Total Growth
2012	\$3.52	\$2.21	\$0.42	\$0.31	\$6.46	-	-
2013	\$3.93	\$2.76	\$0.84	\$0.28	\$7.80	21%	21%
2014	\$4.15	\$3.97	\$3.31	\$0.31	\$11.73	50%	82%
2015	\$4.64	\$6.74	\$5.61	\$0.36	\$17.35	48%	169%
2016	\$6.06	\$9.11	\$7.35	\$0.34	\$22.86	32%	254%
2017	\$8.26	\$10.48	\$8.46	\$0.71	\$27.91	22%	332%
2018	\$10.82	\$15.38	\$10.06	\$0.42	\$36.69	31%	468%
2019	\$20.85	\$20.28	\$11.09	\$1.04	\$53.25	45%	724%
2020	\$23.53	\$24.56	\$16.46	\$0.81	\$65.36	23%	912%
2021	\$30.28	\$34.14	\$20.27	\$1.21	\$85.90	31%	1,230%
2022	\$47.31	\$40.38	\$22.03	\$1.07	\$110.80	29%	1,615%
2023	\$75.36	\$66.41	\$23.30	\$1.28	\$166.35	50%	2,475%

Table 6: Tax Revenue contributions from Data Centers by Property Type (\$ in millions)

## Revenue Growth

Prince William County has demonstrated impressive growth, with revenues increasing from \$6.5 million in tax year 2012 to \$166.4 million in tax year 2023, 50% year-over-year growth in tax year 2023 and total growth of 2,475% from tax year 2012 to tax year 2023.

### Category Contributions

- Real Property: Significant growth since tax year 2018, peaking at \$75.4 million in tax year 2023.
- Computer Equipment and Peripherals: Steady growth, reaching \$66.4 million in tax year 2023.
- Furniture and Fixtures: Recent growth, with revenues at \$23.3 million in tax year 2023.
- Fees and Licensing: Consistent growth, reaching \$1.3 million in tax year 2023.

### Factors Driving Revenue Growth

- Expansion of Data Centers: Increased business tangible property tax obligations due to expanded and upgraded facilities.
- Larger and More Physical Footprints: Increased real property taxes due to the growing SqFt physical footprints of data centers.



## Near-Term Considerations

- Revenue Dependence on Data Centers: Significant contributions from data centers, particularly in the Computer Equipment and Peripherals classification, emphasize their importance to the County's revenue stream. Significant changes in the data center industry could substantially impact the County's future revenues.
- Tax Policy and Economic Strategy: Maintaining competitive tax rates and other economic development incentives could sustain and/or enhance revenue growth in this sector.
- Diversification: While data centers are a crucial revenue source, maintaining a diversified tax base is essential to mitigate risks associated with industry-specific downturns.

## Conclusion

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Data centers are anticipated to have an evolving role in Prince William County's economic landscape. Substantial investments in data centers as well as the increases in megawatt capacity highlight continued strength in the data center market. The projected growth in tax revenues from data centers underscores the sector's potential contribution to the local economy. But the promise of revenue expansion and diversification will require strategic planning to ensure community needs are addressed in concert with achieving long-term economic prosperity for the County.

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