August 6, 2026

The Honorable Kathy Hochul
Governor of the State of New York
NYS State Capitol
Albany, NY 12224

Dear Governor Hochul:

The Niagara County Legislature is very interested in your recent comments regarding the state's decades-old Internet Data Center Sales Tax Exemption and the fact that you may consider legislation related to said exemption during the next legislative session. As you may be aware, Niagara County has been raising this issue for quite some time relative to the Lake Mariner Data Center in the Town of Somerset, which claims, but does not appear to actually qualify for, this exemption. We believe significant avoidance of state and county sales tax has occurred.

It is our position that, given the ramifications of this exemption on local governments, administrative action should be taken immediately by directing the New York State Department of Taxation and Finance to conduct a comprehensive audit of this exemption and issue a public report of all findings. We recognize that privacy laws may limit the information on any specific exemption, but summaries can be provided. Specifically, we believe Taxation and Finance should conduct a thorough examination to determine the following:

- Which companies are currently receiving the internet data center sales tax exemption;
- Whether cryptocurrency and AI data centers qualify for the exemption and, if so, who made that determination;
- Whether recipients are in full compliance with all statutory eligibility requirements;
- Whether the claimed exempt equipment purchases qualify under existing law and if there is a distinction between purchases made by the owners of data centers and tenants of these operations; and
- The total value of sales tax revenue abated by the State of New York for all data centers as a result of this exemption.

In the few public documents available from Taxation and Finance, the Department estimates the exemption costs New York State $12 million last year. Considering the size and scope of the Lake Mariner project alone, we believe the impact is significantly greater than that.

Furthermore, the question remains, whether Lake Mariner is even entitled to that exemption. It is our position that Lake Mariner is clearly not an internet web hosting facility, as it relates to the intent of the original exemption. The available information suggests there has been a significant misuse of the exemption to the detriment of the state and the taxpayers of Niagara County. The Department of Taxation and Finance has an obligation to directly address the situation and ensure that all appropriate taxes have been paid.

A transparent audit would provide legislators, local governments and taxpayers with an understanding of the impact of this exemption and help better inform any action you and the State Legislature may consider next year. Again, we urge you to direct the Department of Taxation and Finance to undertake this review and publicly report its findings. Thank you for your consideration of this request.

Respectfully,

Richard E. Updegrove
Niagara County Manager