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34 Ways to Tax AI

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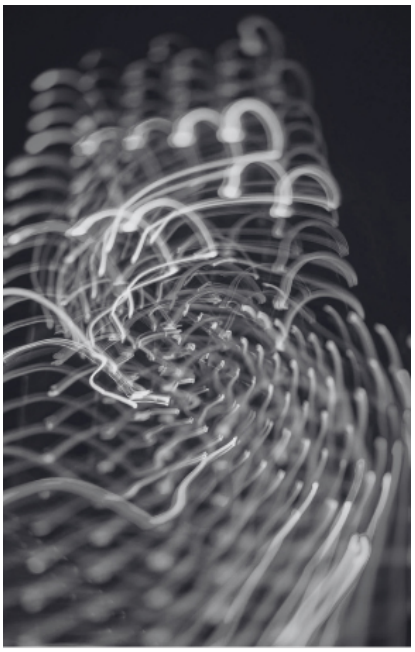

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Table of Contents

Executive Summary....4
Introduction....5
I. Data Center Taxes....8
II. Chip Taxes....14
III. Data Taxes....16
IV. AI Company and Product Taxes....18
V. Automation Taxes....25
VI. General Tax Reforms Relevant to AI....28
Conclusion....31

Executive Summary

Today's AI boom is funded in part by preferential tax policies and contributes little to the public fisc. If AI causes job loss, the tax base will take a bigger hit. But tax policy can do more than raise government revenue: taxes can drive companies to pay their fair share, make data centers bear the costs they impose on communities, discourage layoffs and speculative investment, and check power. Rather than recommend one approach, this paper outlines 34 different ways to tax AI across local, state, and federal jurisdictions. If policymakers fail to tax AI, it will not be for lack of options.

34 Ways to Tax AI

Policymaker proposed or enacted: L Local S State F Federal
Could adopt: L Local S State F Federal

Data Center Taxes

Who pays: Data center operators, owners, investors; cloud providers

		L	S	F
1.	Data center sales and use tax	L	S	F
2.	Data center real property tax	L	S	
3.	Data center electricity tax	L	S	F
4.	Data center emissions tax	L	S	F
5.	Data center water fee	L	S	F
6.	Data center facility fee	L	S	F
7.	Data center gross receipts tax	L	S	F
8.	Federal tax preference ineligibility			F
9.	Cloud computing tax	L	S	F
10.	Universal Service Fund expansion		S	F

Chip Taxes

Who pays: Data center operators; chip importers and exporters

		L	S	F
11.	Computer equipment tax	L	S	F
12.	AI chip tariff or export fee			F

Data Taxes

Who pays: AI model makers, platforms, and data brokers

		L	S	F
13.	Data tax	L	S	F
14.	Surveillance data tax	L	S	F
15.	Data broker tax	L	S	F

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AI Company and Product Taxes

Who pays: AI companies and enterprise users

		L	S	F
16.	AI revenue tax	L	S	F
17.	Token tax	L	S	F
18.	Digital services tax	L	S	F
19.	Surveillance advertising tax	L	S	F
20.	Digital goods sales tax	L	S	F
21.	Robot gross receipts tax	L	S	F
22.	Robotaxi tax	L	S	F
23.	Windfall profits tax	L	S	F
24.	Public ownership	L	S	F
25.	AI personhood		S	F

Automation Taxes

Who pays: Employers

		L	S	F
26.	Robot tax	L	S	F
27.	Labor-capital tax parity	L	S	F
28.	Layoff tax	L	S	F
29.	Displaced worker surcharge	L	S	F

General Tax Reforms Relevant to AI

Who pays: Businesses, investors, wealthy individuals, and heirs

		L	S	F
30.	Value-added tax		S	F
31.	Corporate income tax increases	L	S	F
32.	Capital gains tax increases	L	S	F
33.	Wealth tax and wealth transfer tax		S	F
34.	QSBS exclusion repeal	L	S	F

Some authorities are contested. Some localities require state enablement.

Introduction

Today, AI is contributing little to the tax base. The leading AI companies—OpenAI, Anthropic, and xAI (part of SpaceX)—are not profitable, so they do not pay federal corporate income taxes. Meanwhile, Alphabet, Amazon, Meta, Microsoft, and Nvidia rake in profits from selling the infrastructure enabling AI and from products that distribute AI. Yet these companies are five of the six largest recipients of federal tax breaks among U.S. public companies, receiving $75 billion in 2025 alone.[1]

In fact, today's AI boom is funded in part by the tax code—sales and use tax exemptions,[2] property tax abatements,[3] bonus depreciation,[4] preferential tax treatment for investors,[5] and rules that favor capital over wages.[6] Once you consider that today's AI is built atop decades of government spending on research and development,[7] AI has almost certainly cost the public fisc far more than it has contributed.

To the extent AI substitutes for workers in the future, the tax base will take an even bigger hit. About three-quarters of federal tax revenue comes from taxes on labor (e.g.,

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[1] Sarah Buttikofer & Matthew Gardner, *Six Companies Reaped $83 Billion in Federal Tax Breaks in 2025*, INST. ON TAX'N & ECON. POL'Y (Aug. 14, 2026), https://itep.org/six-companies-83-billion-in-federal-tax-breaks/ (reporting 2025 federal tax breaks of $18.7 billion for Microsoft, $18.4 billion for Alphabet, $17.4 billion for Amazon, $13.7 billion for Meta, and $6.8 billion for Nvidia). *See also Corporate Tax Avoidance*, INST. ON TAX'N & ECON. POL'Y, https://itep.org/corporate-tax-avoidance/ (last visited Oct. 14, 2026) (reporting that the top five "Top Federal Tax Avoiders" include (with effective tax rates, compared to a federal corporate income tax rate of 21%): Alphabet (7.9%), Microsoft (2.4%), Amazon (1.4%), and Meta (3.6%)).

[2] *Subsidizing Servers: How States Are Competing to Attract Data Centers*, NAT'L CONF. OF STATE LEGIS. (Apr. 1, 2026), https://www.ncsl.org/fiscal/subsidizing-servers-how-states-are-competing-to-attract-data-centers [hereinafter NCSL Data Center Tax Subsidy Report].

[3] *Id.*; Kasia Tarczynska, *Even Cloudier with a Greater Loss of Spending Control: How Data Center Tax Abatements Undermine Public Budgets*, GOOD JOBS FIRST 12–13 (June 2026), https://goodjobsfirst.org/wp-content/uploads/2026/06/Even-Cloudier-with-a-Greater-Loss-of-Spending-Control.pdf.

[4] Michael Rapoport, *Data-Center Spenders Save Billions from Depreciation Tax Break*, BLOOMBERG TAX (Sept. 28, 2026), https://news.bloombergtax.com/daily-tax-report/data-center-spenders-save-billions-from-depreciation-tax-break.

[5] Steve Wamhoff, Joe Hughes & Erika Frankel, *How Federal Tax Policy Can Address AI*, INST. ON TAX'N & ECON. POL'Y (Aug. 10, 2026), https://itep.org/how-federal-tax-policy-can-address-ai/.

[6] *Id.*

[7] Asad Ramzanali, *Trump's AI Action Plan Is a Distraction*, MIT TECH. REV. (July 24, 2025), https://www.technologyreview.com/2025/07/24/1120639/trumps-ai-action-plan-is-a-distraction/.

payroll taxes, income taxes).[8] If AI shifts income from wages for the many to returns on capital for the few, tax revenue will fall, since current law taxes capital more lightly than labor.[9] While the scale of AI's economic effects is uncertain, there is a real risk that gross domestic product (GDP) grows while the tax base supporting public services shrinks.

At the same time, polls consistently show a public that's pessimistic about AI, its effects on jobs, AI data centers, and the companies behind these trends.[10] Notably, majorities support new taxes on AI generally, and several specific approaches draw broad support.[11]

Just as public concern over AI is about more than fears for government revenue, tax policy can do more than raise government revenue. Taxes can drive the companies profiting from AI to pay their fair share, make data centers bear the costs they impose on communities, discourage layoffs and speculative investment, and more. And taxes have long been used to check concentrations of economic and political power[12]—a

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[8] Anton Korinek & Lee M. Lockwood, *The Future of Tax Policy: A Public Finance Framework for the Age of AI*, BROOKINGS INST. (Jan. 8, 2026), https://www.brookings.edu/articles/future-tax-policy-a-public-finance-framework-for-the-age-of-ai/.

[9] Daron Acemoglu, Andrea Manera & Pascual Restrepo, *Does the US Tax Code Favor Automation?*, BROOKINGS INST. (2020), https://www.brookings.edu/articles/does-the-u-s-tax-code-favor-automation/.

[10] *See, e.g., Huge Majorities Want AI Stopped Immediately*, Pub. Citizen (Sept. 2026), https://www.citizen.org/wp-content/uploads/AI-Polling-Memo_9.17.26.pdf (compiling polls showing broad support for regulating AI, worry about jobs, and opposition to the data center buildout).

[11] *See, e.g.,* Impact Rsch. et al., *Findings and Recommendations from a Survey of Registered Voters in Presidential Battleground States*, PROJECT 270 (Oct. 2026), https://project270.vote/wp-content/uploads/2026/10/Project-270-Oct-26-Poll-Analysis.pdf (64% of battleground-state voters support new taxes on AI and big tech companies); Just. Rsch. Grp., *AI Findings: Wave 2*, WORKING FAMILIES POWER (June 2026), https://workingfamiliespower.org/wp-content/uploads/2026/06/WFPower_AIFindingsWave2-2026.pdf (69% of working-class voters support taxing "large corporations that replace workers with AI" to fund worker support); Marc Aidinoff, *Taxing AI Isn't Radical*, CTR. FOR SHARED AI PROSPERITY (June 25, 2026), https://blog.csaip.org/p/taxing-ai-isnt-radical (76% favored an energy tax on AI data centers, 69% a wealth tax on AI fortunes, 61% a corporate tax on AI companies, 57% a robot tax, 50% a tax on everyday AI services, 41% a per-use AI tax, and 38% closing inheritance tax loopholes).

[12] *See, e.g.*, Theodore Roosevelt, The New Nationalism, Address at Osawatomie, Kan. (Aug. 31, 1910), https://obamawhitehouse.archives.gov/blog/2011/12/06/archives-president-teddy-roosevelts-new-nationalism-speech ("The absence of effective State, and, especially, national, restraint upon unfair money-getting has tended to create a small class of enormously wealthy and economically powerful men, whose chief object is to hold and increase their power....Therefore, I believe in a graduated income

concern that is especially pressing for an industry led by the world's most valuable companies[13] and wealthiest individuals.[14]

Despite the strong case for taxing AI, it can be difficult to identify what exactly to tax, how to tax it, and what goals and tradeoffs different tax strategies present. This paper starts to address these challenges. Rather than recommend one approach, this paper outlines 34 different ways to tax AI. It categorizes AI taxes—taxes that reach AI products, the inputs AI depends on, or those profiting from AI—by analyzing money flows through what's commonly called the AI Tech Stack: employers pay application developers, who pay AI model providers for models trained on data created by others and private information; model providers pay compute providers, which build data centers and buy chips, energy, land, and other infrastructure. Financiers invest billions across this stack.

The 34 options reach different parts of this stack and fall into six categories, largely by who would nominally pay each tax, though many could pass costs on to others: (I) data center taxes, (II) chip taxes, and (III) data taxes, which focus on the key inputs necessary for AI; (IV) AI company and product taxes; (V) automation taxes; and (VI) general tax reforms relevant to AI. For each, the paper briefly describes the tax and relevant variants, and provides references to analyses, proposals, and laws that may serve policymakers considering proposing such a tax. The proposals could, of course, also be combined in different ways, depending on the preferences of whoever is proposing them. The paper excludes proposals to raise revenue only after speculative transformations of the economy from AI materialize and does not discuss the use of tax funds. Nor does it estimate revenue or who bears a tax's ultimate cost, both important next steps for policymakers weighing these options.

Tax policy is not a panacea for all of the harms and risks of AI that require government action, but it should be part of a broader AI governance strategy.

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tax on big fortunes, and in another tax which is far more easily collected and far more effective—a graduated inheritance tax on big fortunes, properly safeguarded against evasion, and increasing rapidly in amount with the size of the estate."); Franklin Roosevelt, Message to Congress on Tax Revision (June 19, 1935), https://www.presidency.ucsb.edu/documents/message-congress-tax-revision (stating that federal laws "have done little to prevent an unjust concentration of wealth and economic power").

[13] *Companies Ranked by Market Cap*, CompaniesMarketCap, https://companiesmarketcap.com/ (last visited Oct. 17, 2026) (ranking Nvidia, Apple, Alphabet, Microsoft, Amazon, TSMC, SpaceX, and Meta as the top eight most valuable companies by market capitalization).

[14] Dylan Sloan & Jack Witzig, *AI Boom Drives Tech Billionaires to Their Best Year Ever*, Bloomberg L. (Oct. 5, 2026), https://news.bloomberglaw.com/ip-law/ai-boom-drives-tech-billionaires-to-their-best-year-ever.

I. Data Center Taxes

AI models and applications depend on data centers. Data centers are not AI-specific, but today's AI boom is why data center construction is proliferating.[15] Policymakers at every level of government are considering curtailing data center tax benefits and enacting new data center taxes. There are a few thousand data centers nationwide—only dozens are hyperscale AI data centers—and they depend on metered inputs (e.g., electricity, water), making many data center taxes administrable.[16] Operators may pass costs on to cloud customers, and local and state policymakers weigh new revenue against the risk that developers build elsewhere. While tax incentives can be costly to the government budgets, they account for only 2% of construction investment in counties with hyperscale data centers[17] and tie for last among reasons site selection consultants gave for eliminating a site from consideration.[18]

1. Data Center Sales and Use Tax – Data centers would pay one-time sales taxes on computing equipment and other purchases in state,[19] possibly paired with a use tax reaching equipment purchased out of state and used in state. While

[15] *Global Data Center Trends 2026*, CBRE (June 17, 2026), https://www.cbre.com/insights/reports/global-data-center-trends-2026.
[16] Nicole Greenfield, *AI Data Centers: Big Tech's Impact on Electric Bills, Water, and More*, CONSUMER REPS. (Mar. 20, 2026), https://www.consumerreports.org/data-centers/ai-data-centers-impact-on-electric-bills-water-and-more-a1040338678/ (3,099 data centers in operation in the U.S., of which 68 use at least 50 MW; an additional 1,489 under construction, of which 267 use at least 50 MW); *AI Data Centers*, EPOCH AI, https://epoch.ai/data/ai-data-centers (last visited Oct. 15, 2026) (depicting 94 U.S.-based AI hyperscale data centers).
[17] Dany Bahar & Greg Wright, *New Evidence on Data Center Employment Effects*, BROOKINGS INST. (Aug. 10, 2026), https://www.brookings.edu/articles/new-evidence-on-data-center-employment-effects/.
[18] Site Selectors Guild & Dev. Couns. Int'l, *The 2026 State of Site Selection Pulse Check* 12 fig. 5 (2026), https://siteselectorsguild.com/wp-content/uploads/2026/03/SoSS-2026-PulseCheck_3.20.26.pdf (reporting that 2% of responding site selection consultants named state or local incentives as a top reason for eliminating a site, compared with, inter alia, 61% for utility and infrastructure capacity, 51% for workforce, and 29% for business environment).
[19] Tarczynska, *supra* note 3; Kate Brennan & Alli Finn, *North Star Data Center Policy Toolkit: Tax, Subsidies, and Incentives*, AI NOW INST., https://datacenters.ainowinstitute.org/issue-area/economic-development/tax-subsidies-incentives/ (last visited Sept. 5, 2026); *The People Say No: Resisting Data Centers*, MEDIAJUSTICE (2026), https://mediajustice.org/wp-content/uploads/2025/09/MediaJustice-The-People-Say-No-Resisting-Data-Center-Toolkit_January-2026.pdf; Ganesh Sitaraman & Asad Ramzanali, *No Handouts for Data Centers*, COMMONPLACE (Aug. 28, 2025), https://www.commonplace.org/p/no-handouts-for-data-centers; Deanna Noel & Meghan Pazik, *Policy Solutions to Address the Data Center Buildout*, PUB. CITIZEN 10 (2025), https://www.citizen.org/article/reining-in-big-tech-policy-solutions-to-address-the-data-center-buildout/.

46 states and D.C. have state and/or local sales tax,[20] 38 states offer sales tax exemptions for data centers.[21] Four states forgo over $1 billion each annually from data center tax incentives.[22] During the most recent legislative session, at least 25 state legislatures saw bills to repeal or limit data center tax subsidies, which are largely sales and use tax exemptions, with several states passing legislation and three governors pausing subsidies.[23] Federally, in October 2026, Senator Bernie Moreno (R) introduced legislation to impose a 100% tax on any state or local incentive, including sales tax exemptions, received by AI data centers of 100 megawatts or more.[24] Also in October 2026, Senator Ruben Gallego (D) released an economic plan that proposed ending all tax deductions for data centers,[25] and Senators Elizabeth Warren (D), Chris Van Hollen (D), and Richard Blumenthal (D) released a report criticizing data center sales tax exemptions.[26]

2. Data Center Real Property Tax – Data center operators would pay annually a percentage of the value of the land they occupy, and improvements to it.[27] Property tax is generally administered by local governments, calculated as a percentage of assessed value.[28] However, many jurisdictions offer property tax abatements that are either data center specific or are heavily used by data centers. For example, Oregon's Long-Term Rural Enterprise Zone (LTREZ) program abated over $230 million in property taxes for Amazon, Apple,

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[20] Abir Mandal, *2026 State and Local Sales Tax Rates*, TAX FOUND. (Jan. 20, 2026), https://taxfoundation.org/data/all/state/sales-tax-rates/.
[21] NCSL Data Center Tax Subsidy Report, *supra* note 2.
[22] Tarczynska, *supra* note 3, at 4.
[23] Rachel Jacobson, *States Began Scaling Back Expensive Subsidies for Data Centers in This Year's Legislative Sessions, but More Work Is Needed*, OFF THE CHARTS (Aug. 7, 2026), https://www.cbpp.org/blog/states-began-scaling-back-expensive-subsidies-for-data-centers-in-this-years-legislative.
[24] RECLAIM Act, S. 5689, 119th Cong. § 2(b) (2026).
[25] Off. of Sen. Ruben Gallego, *Saving the Middle Class and Restoring the American Dream* 22 (2026), https://www.gallego.senate.gov/wp-content/uploads/2026/10/Ruben-Gallegos-Middle-Class-Jobs-Plan.pdf.
[26] Elizabeth Warren, Chris Van Hollen & Richard Blumenthal, *Power and Profits: How the AI Data Center Boom Costs Households and Communities* (2026), https://www.warren.senate.gov/wp-content/uploads/2026/10/471703-ai-data-center-boom-cost-Digital-8.5x11.pdf.
[27] Tarczynska, *supra* note 3; Brennan & Finn, *supra* note 19; Ky-Cuong Huynh, Suchet Mittal & Noah Frank, *Funding Government in the Age of AI*, CONVERGENCE FELLOWSHIP PROGRAM 47–52 (2025), https://www.convergenceanalysis.org/fellowships/economics/funding-government-in-the-age-of-ai.
[28] For a discussion of significant political economy issues with property taxes paid by individuals and families for land that includes their home, *see* Annie Lowrey, *The Property-Tax Revolution*, ATLANTIC (Sept. 13, 2026), https://www.theatlantic.com/ideas/2026/09/florida-taxes-amendment/688594/.

Alphabet, and Meta data centers in the 2025-2026 tax year, and Mayes County, Oklahoma, abated $38.7 million for a Google data center in 2025.[29] Some jurisdictions have begun rolling back these abatements. In June 2026, Oregon barred new data centers from one property tax abatement until after its 2027 legislative session, though data centers remain eligible for LTREZ and other tax incentives.[30]

3. Data Center Electricity Tax – Data center operators would remit a fixed charge per unit of energy consumed or a percentage of electricity spending.[31] Data centers consume significant energy, accounting for 4.7% of total U.S. electricity consumption in 2024, a figure expected to rise to 11.8% by 2030.[32] Typically, residential electricity use is tax-exempt, but commercial and industrial use is subject to sales tax,[33] though some states charge a separate excise tax, a tax on a specific good or activity, on energy use.[34] Fourteen states have extended data center sales tax exemptions to electricity.[35] In 2025, Minnesota removed its sales tax exemption on electricity for large data centers.[36] Going further, in June 2026, Virginia enacted a two-year tax of $0.011 per kilowatt-hour on electricity consumed by data centers, with annual collections above $600 million refunded to operators.[37] In August 2026, Representative Andrea Salinas (D) introduced legislation to impose a federal excise tax of $0.01 per kilowatt-hour on electricity used by data centers larger than one megawatt.[38] In May

[29] Tarczynska, *supra* note 3, at 12–13.
[30] H.B. 4084, 83d Leg. Assemb., Reg. Sess. (Or. 2026); Elaine R. Albrich & Caroline Cilek, *New Oregon Law Impacts Data Center Development Statewide*, DAVIS WRIGHT TREMAINE LLP (June 12, 2026), https://www.dwt.com/blogs/energy--environmental-law-blog/2026/06/oregon-data-center-tax-break-moratorium.
[31] Brian Williams, *How to Measure Compute: Implications for the Tax Base*, TAX POL'Y NETWORK (May 19, 2026), https://taxpolicynetwork.org/how-to-measure-compute-implications-for-the-tax-base/; Juliette Faivre & Sarah H. Cen, *Taxing Artificial Intelligence* (July 2, 2026) (preprint), http://arxiv.org/abs/2607.02144.
[32] Sarah Smith et al., *United States Data Center Energy Usage Report: 2025 Update*, LAWRENCE BERKELEY NAT'L LAB'Y (2026), https://escholarship.org/uc/item/33m6w3x0.
[33] NCSL Data Center Tax Subsidy Report, *supra* note 2.
[34] Jared Walczak, *State Taxation of Data Centers*, TAX FOUND. 12 (Dec. 19, 2025), https://taxfoundation.org/research/all/state/data-centers-taxation/.
[35] NCSL Data Center Tax Subsidy Report, *supra* note 2.
[36] Act of June 14, 2025, ch. 13, art. 3, § 4, 2025 Minn. Laws 1st Spec. Sess. (amending Minn. Stat. § 297A.68, subdiv. 42, to eliminate the electricity exemption, effective July 1, 2025).
[37] Act of June 29, 2026, ch. 1, § 3-5.24, 2026 Va. Acts Spec. Sess. I.
[38] Data Center Community Reinvestment Act of 2026, H.R. 10102, 119th Cong. (2026).

2026, Senator Elizabeth Warren (D) proposed an "excise tax on the energy used by data centers" in an op-ed.[39]

4. Data Center Emissions Tax or Carbon Tax – Data center operators would pay a fixed charge per ton of carbon dioxide (CO_2) emitted, whether from on-site generation or as attributed to consumed grid electricity.[40] Unlike an electricity tax, which is agnostic to the source of energy, an emissions tax favors lower-emissions (i.e., cleaner) power sources. Data centers accounted for 0.5% of global emissions in 2025.[41]

5. Data Center Water Fee – Data center operators would pay a charge per gallon of water withdrawn or consumed, or a flat fee sized to a state water-oversight program.[42] Many data centers use water to cool computing equipment, and most data centers acquire water from public water systems, largely operated or regulated by states and municipalities.[43] In January 2026, Arizona Governor Katie Hobbs (D) proposed a water user fee of $0.01 per gallon on data centers, approximately what households in the state pay.[44]

6. Data Center Facility Fee – Data center operators would pay an annual fee per facility, potentially tiered to size or capacity. In 2025, Minnesota enacted a Qualified Large-Scale Data Center Fee, with annual fees ranging from $2 million to $5 million, tiered by peak energy demand.[45]

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[39] Elizabeth Warren, *Why We Need to Tax AI*, TIME (May 27, 2026), https://time.com/article/2026/05/27/why-we-need-to-tax-ai/.
[40] Matthew Yglesias, *Should Data Centers Pay a Carbon Tax?*, SLOW BORING (June 24, 2026), https://www.slowboring.com/p/should-data-centers-pay-a-carbon.
[41] Katharina Utermoehl & Patrick Hoffmann, *Code, Carbon, Kilowatts: AI's Hidden Toll and the Race to Green the Grid*, ALLIANZ RSCH. 11 (June 30, 2026), https://www.allianz-trade.com/content/dam/onemarketing/aztrade/allianz-trade_com/en_gl/erd/publications/pdf/2026-06-30-ai-code-carbon-AZT.pdf.
[42] Faivre & Cen, *supra* note 31, at 13–15, 23–24.
[43] Peter Folger et al., *Data Centers and Water: Frequently Asked Questions*, CONG. RSCH. SERV. (2026), https://www.congress.gov/crs-product/R49057.
[44] Off. of Ariz. Governor Katie Hobbs, *Governor Katie Hobbs Lays Out Plan to Lower Costs and Put Arizona First in Her Fourth State of the State* (Jan. 13, 2026), https://azgovernor.gov/office-arizona-governor/news/2026/01/governor-katie-hobbs-lays-out-plan-lower-costs-and-put-arizona.
[45] Act of June 14, 2025, ch. 12, § 16, 2025 Minn. Laws 1st Spec. Sess. (codified at Minn. Stat. § 216B.72 (new large data center fee)).

7. Data Center Gross Receipts Tax[46] – Data center operators would pay a percentage of revenues. Some states subject data centers to broader gross receipts tax regimes.[47] In August 2026, the staff of Senate Finance Committee Ranking Member Ron Wyden (D) requested comments on a proposal for a data center gross receipts tax at a "low single-digit rate."[48] In October 2026, Senator Ruben Gallego (D) released an economic plan that proposed a 10% excise tax on data center gross receipts.[49] As an analog, the Cable Act of 1984 authorizes franchising authorities (often, local governments) to charge up to 5% of gross revenues as a franchise fee.[50]

8. Federal Tax Preference Ineligibility – Data center owners, operators, and investors would be ineligible to apply federal income tax preferences (e.g., deductions, credits, and exclusions) to data centers. Since 2025, companies can deduct 100% of equipment costs (e.g., chips) immediately (i.e., bonus depreciation) rather than deducting costs over the relevant depreciation schedule.[51] In July 2026, Senator Mark Warner (D) introduced legislation to condition bonus depreciation for AI data centers on earning Leadership in Energy and Environmental Design (LEED) Gold or Platinum certification.[52] In September 2026, Senator Josh Hawley (R) introduced legislation to make data centers ineligible for future investment from Opportunity Zone funds.[53] Investing in Opportunity Zones lets investors defer and reduce capital gains taxes, and about 14% of data centers are located in Opportunity Zones.[54] In October 2026, Senator Bernie Moreno (R) introduced legislation that would make large AI data centers ineligible for any federal tax incentive or financial

[46] The distinction between a regulatory fee and a tax has many implications, which are beyond the scope of this paper. *See San Juan Cellular Tel. Co. v. Pub. Serv. Comm'n of P.R.*, 967 F.2d 683 (1st Cir. 1992).
[47] Walczak, *supra* note 34, at 12.
[48] Minority Staff of S. Comm. on Fin., *Proposal for the Taxation of Data Centers* 2 (2026), https://www.finance.senate.gov/imo/media/doc/080626_wyden_data_center_tax_white_paper.pdf.
[49] Off. of Sen. Ruben Gallego, *supra* note 25, at 22.
[50] 47 U.S.C. §§ 542(a)–(b).
[51] One Big Beautiful Bill Act, Pub. L. No. 119-21, § 70301, 139 Stat. 72, 188 (2025) (codified at 26 U.S.C. § 168(k)).
[52] Data Center Tax Accountability and Disclosure Act, S. 5054, 119th Cong. § 2 (2026).
[53] No Tax Breaks for Data Centers Act, S. 5418, 119th Cong. § 2 (2026).
[54] Simon Wang, Bruce C. Mitchell & Jad Edlebi, *Preventing Hyperscale Harm: Analyzing the Potential Impact of Opportunity Zones 2.0 in Rural Communities Experiencing Accelerating AI Data Center Construction*, NAT'L CMTY. REINVESTMENT COAL. (2026), https://ncrc.org/preventing-hyperscale-harm-analyzing-the-potential-impact-of-opportunity-zones-2-0/.

assistance.[55] In August 2026, the staff of Senate Finance Committee Ranking Member Ron Wyden (D) proposed making new data centers ineligible for bonus depreciation, investment from Opportunity Zone funds, and preferential treatment of their rents under real estate investment trust (REIT)[56] rules.[57] In October 2026, Senator Ruben Gallego (D) released an economic plan that proposed ending all tax deductions for data centers.[58] Other preferences could be similarly limited. For example, Meta has reportedly claimed billions of dollars in research and development (R&D) tax credits by classifying its AI data centers as pilot models, while its securities filings flag research tax credits as vulnerable.[59]

9. Cloud Computing Tax – Businesses that rent computing—including AI model developers—would pay a percentage of cloud spending, collected by the cloud provider.[60] Unlike the above data center taxes based on where the facility is located, a cloud computing tax targets where compute is used. This matters because AI model and application companies commonly rent compute from cloud providers rather than owning their own infrastructure. Texas applies its state and local sales taxes to cloud hosting and processing.[61] The City of Chicago applies its Personal Property Lease Transaction Tax to cloud services, currently at a 15% rate.[62] Maryland[63] and Connecticut[64] tax cloud computing, among other related services, at reduced sales tax rates of 3% and 1%, respectively. Certain other states (e.g., Hawai'i, New Mexico, and South Dakota)

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[55] RECLAIM Act, S. 5689, 119th Cong. § 2(a) (2026).
[56] I.e., entities that own real estate and avoid corporate tax by distributing most income to shareholders.
[57] Minority Staff of S. Comm. on Fin., *supra* note 48, at 2.
[58] Off. of Sen. Ruben Gallego, *supra* note 25, at 22.
[59] Kashmir Hill et al., *How Meta Uses A.I. Data Centers to Avoid Billions in Federal Taxes*, N.Y. TIMES (Sept. 30, 2026), https://www.nytimes.com/2026/09/30/technology/meta-ai-data-centers-taxes.html.
[60] Tuan Ngo, *Cloud Computing and State Sales Tax*, 9 HASTINGS BUS. L.J. 327 (2013); Orly Mazur, *Taxing the Cloud*, 103 CALIF. L. REV. 1 (2015); Emily A. Ivers, *Taxing Cloud Computing Proves to Be Just That—Taxing*, 62 B.C. L. REV. E. Supp. II.-165 (2021); Faivre & Cen, *supra* note 31, at 23.
[61] Tex. Tax Code Ann. §§ 151.0035, 151.0101(a), 151.351 (2026); 34 Tex. Admin. Code § 3.330 (2026); Tex. Comptroller of Pub. Accts., *Priv. Ltr. Rul. No. 201807010L* (July 10, 2018).
[62] Chi., Ill., Mun. Code §§ 3-32-020(I), 3-32-030 (2026); Chi. Dep't of Fin., *Personal Property Lease Transaction Tax Rul. No. 12* (June 9, 2015).
[63] Md. Code Ann., Tax-Gen. §§ 11-101(m)(14)–(15) (2026); Comptroller of Md., *Sales and Use Tax on Data or Information Technology Services and Software Publishing Services: Questions and Answers*, Tech. Bull. No. 56 (June 30, 2025).
[64] Conn. Gen. Stat. §§ 12-407(a)(37)(A), 12-408(1)(D)(i) (2025).

have broad-based taxes that cover cloud computing without explicitly adding it.[65]

10. Universal Service Fund Expansion – Cloud computing providers would be required to contribute to the Universal Service Fund (USF).[66] While the USF, which supports connectivity for low-income Americans, rural communities, schools and libraries, and rural health care facilities, has been largely funded by a mandatory fee on telephone services, Federal Communications Commission (FCC) members, lawmakers, and experts have long proposed expanding the contribution base to broadband companies and "edge providers" (e.g., cloud companies).[67] Most recently, a bipartisan group of Senators and Representatives introduced legislation to expand USF contribution to explicitly include cloud computing.[68]

II. Chip Taxes

Advanced chips (e.g., AI accelerators including graphics processing units) are necessary to train AI models. Chips are also among the most complex and concentrated products in the AI supply chain, with Nvidia selling a vast majority of AI accelerators.[69] Chips can be taxed when purchased, annually as property, or tariffed at the border. Taxes at the border also implicate foreign policy (e.g., limiting China's access to advanced AI chips), and chips are central to U.S. industrial policy goals given their role in a vast array of

[65] *See* Haw. Rev. Stat. § 237-13(2)(A), (6)(A) (2025); Haw. Dep't of Tax'n, Tax Info. Release No. 2021-06, *General Excise Tax Treatment of Software* (Aug. 10, 2021); N.M. Stat. Ann. § 7-9-3.5(A) (2026); N.M. Code R. § 3.2.1.27(B) (2026); *In re Protest of P S T Servs., Inc.*, Decision & Order No. 20-10 (N.M. Admin. Hearings Off. May 12, 2020); S.D. Codified Laws § 10-45-4 (2026); S.D. Admin. R. 64:06:02:78(8)–(9) (2026).
[66] Report on the Future of the Universal Service Fund, 37 FCC Rcd. 10041, ¶¶ 98, 102 (2022) (citing comments by the Digital Progress Institute, Chickasaw Telephone Company, AT&T, ACA Connects, USTelecom, and Free Press, among others); Evan Swarztrauber, *Universal Service Fund Working Group Request for Comment,* FOUND. FOR AM. INNOVATION (Aug. 25, 2023), https://www.thefai.org/posts/universal-service-fund-working-group-request-for-comment; Roslyn Layton, *Profiting Without Paying: Why Cloud Computing Firms Must Contribute to the Universal Service Fund (USF)* (June 3, 2025), https://roslynlayton.com/profiting-without-paying-why-cloud-computing-firms-must-contribute-to-the-universal-service-usf/.
[67] Colby Leigh Pechtol & Chris D. Linebaugh, *The Universal Service Fund Contribution Base: Considerations for Congress*, CONG. RSCH. SERV. (2026), https://www.congress.gov/crs-product/IF13280.
[68] Lowering Broadband Costs for Consumers Act, S. 1651 & H.R. 4032, 119th Cong. (2025).
[69] *Nvidia GPU Market Share 2024-2026: 87% Peak, What Comes Next*, SILICON ANALYSTS (Feb. 21, 2026), https://siliconanalysts.com/analysis/nvidia-ai-accelerator-market-share-2024-2026#nvidia-gpu-market-share-20242026-87-peak-what-comes-next.

commercial and national security uses. Because a few firms design and make advanced chips, chip taxes are simple to collect, but the cost may pass to every downstream buyer, in tension with industrial policy goals. Export fees may also conflict with the Constitution's prohibition on taxing exports.[70]

11. Computer Equipment Tax or Data Center Tangible Personal Property (TPP) Tax – Data center operators would pay, annually or semiannually, a percentage of the value of their TPP, which largely consists of computing equipment (e.g., chips, server racks) and other enabling equipment (e.g., backup generators).[71] As a subset of property taxes, TPP taxes are typically administered at the county level. Many jurisdictions have TPP taxes, though some states have eliminated the tax (e.g., Ohio, Illinois) and others offer temporary TPP abatements.[72] Loudoun County, Virginia, has a 4.15% computer equipment tax, which is expected to raise $879 million this fiscal year.[73] Other Virginia counties charge as little as 0.24% and as much as 4.5% in TPP taxes.[74]

12. AI Chip Tariff or Export Fee – Importers or exporters of advanced AI chips would pay a percentage of the chips' value or sales revenue, collected at the border or as a condition of an export license. In 2025, Nvidia and AMD agreed to pay 15% of revenue from selling certain chips to China in exchange for export licenses.[75] In January 2026, the Trump administration issued a

[70] U.S. Const. art. I, § 9, cl. 5.
[71] Tarczynska, *supra* note 3; Brennan & Finn, *supra* note 19; Anton Korinek & Lee M. Lockwood, *Public Finance in the Age of AI: A Primer* 27 (Brookings Inst., Working Paper, Jan. 2026), https://www.brookings.edu/wp-content/uploads/2026/01/Korinek-Lockwood-FINAL-for-website.pdf [hereinafter Korinek & Lockwood, *Primer*].
[72] Walczak, *supra* note 34, at 11–13.
[73] LOUDOUN CNTY., VA., FY 2027 ADOPTED BUDGET 846–47 (2026), https://www.loudoun.gov/DocumentCenter/View/221475/FY-2027-Adopted-Budget-Document.
[74] Rachel McCrea, *A Windfall, but at What Cost? Inside Loudoun County's Complex Relationship with Data Center Tax Revenue*, LOUDOUN TIMES-MIRROR (July 24, 2026), https://www.loudountimes.com/news/business_and_economy/real_estate_and_development/a-windfall-but-at-what-cost-inside-loudoun-countys-complex-relationship-with-data-center-tax/article_c327d378-c1a7-4b32-b924-33418618405c.html.
[75] Demetri Sevastopulo & Michael Acton, *Nvidia and AMD to Pay 15% of China Chip Sale Revenues to US Government*, FIN. TIMES (Aug. 11, 2025), https://www.ft.com/content/cd1a0729-a8ab-41e1-a4d2-8907f4c01cac.

proclamation that, in effect, taxed exports of Nvidia's H200 and AMD's MI325X chips at 25% of sales.[76]

III. Data Taxes

AI models are trained on data, and more training data often yields more powerful models. AI model makers have scraped nearly the entire open internet, a practice commenters and policymakers have likened to "the largest intellectual property theft in American history."[77] Training data often also includes personal information, raising privacy concerns. Data has no standard price, so data taxes rely on proxies (e.g., volume, users) that may be imprecise or gamed. Data taxes do not require identifying rightsholders or affected individuals, and they can coexist with copyright royalties and privacy laws. Costs may pass to users or advertisers, and some enacted state data taxes face court challenges.[78] Enacted data taxes target social media platforms and data brokers, but social media companies (e.g., Meta, X, Google) also offer leading AI models, and data brokers sell to AI model providers.[79]

13. Data Tax or Training Data Tax – AI model makers, and potentially other firms, would pay a tax based on the volume of data they collect, process (e.g., for training AI models), or transfer (e.g., upload, download).[80] Discussions about a data tax predate today's AI systems, but they take on a new significance

[76] The tariff applies at import, exempting chips for most domestic uses, but H200- and MI325X-class chips licensed for export to China must first be imported for third-party testing in the United States, so the tariff covers them. Proclamation No. 11,002, 91 Fed. Reg. 2443 (Jan. 20, 2026); Revision to License Review Policy for Advanced Computing Commodities, 91 Fed. Reg. 1684 (Jan. 15, 2026).

[77] *Too Big to Prosecute?: Examining the AI Industry's Mass Ingestion of Copyrighted Works for AI Training: Hearing Before the Subcomm. on Crime & Counterterrorism of the S. Comm. on the Judiciary*, 119th Cong. 1 (2025) (opening statement of Sen. Josh Hawley (R), subcommittee chair). *See also* Scott Nover & Gerrit De Vynck, *Microsoft Exec Called AI the 'Largest Theft of Labor' in History, Court Records Show*, WASH. POST (Sept. 17, 2026), https://www.washingtonpost.com/business/2026/09/17/microsoft-exec-called-ai-largest-theft-labor-history-court-records-show/.

[78] *NetChoice v. Illinois*, No. 2026CH08789 (Ill. Cir. Ct. Cook Cnty. filed Sept. 11, 2026); *NetChoice v. City of Chicago*, No. 2026CH02417 (Ill. Cir. Ct. Cook Cnty. filed Mar. 13, 2026).

[79] Anna-Maria Gueorguieva et al., *Regulating Data Brokers in the Age of AI: A California Case Study*, STAN. INST. HUM.-CENTERED A.I. (2026), https://hai.stanford.edu/policy/regulating-data-brokers-in-the-age-of-ai-a-california-case-study.

[80] Omri Marian, *Taxing Data*, 47 BYU L. REV. 511 (2022); Reuven Avi-Yonah, Young Ran (Christine) Kim & Karen Sam, *A New Framework for Digital Taxation*, 63 HARV. INT'L L.J. 279 (2022); Amanda Parsons, *Defining the Goal of a Data Tax*, 3 EUR. L. OPEN 902 (2024); XAVIER OBERSON & ALARA EFSUN YAZICIOĞLU, TAXATION OF BIG DATA (2023); Faivre & Cen, *supra* note 31, at 8, 16.

because of how data-dependent AI models are.[81] In October 2026, Representative Pramila Jayapal (D) released a legislative framework that proposed a Monopoly Data Tax on large technology companies that built AI on "stolen intellectual property, web scraping, or mass surveillance," along with a tax on executive compensation derived from such data.[82]

14. Surveillance Data Tax or Data Mining Tax – AI model makers, and potentially other firms, would pay a tax based on the number of people in a jurisdiction whose personal information was collected, processed (e.g., for training AI models), or monetized (e.g., sold). As a subset of a broader Data Tax, this idea focuses on data about individuals that, when collected, processed, or commercialized, can degrade privacy. In 2025, the City of Chicago enacted an "amusement tax," which requires social media platforms with more than 100,000 Chicago users to pay $0.50 per month for each user above that threshold.[83] In June 2026, Illinois enacted a Social Media Platform Fee, which is a graduated fee of $0.10 to $0.50 per user per month on social media platforms that collect personal data about at least 100,000 Illinois users.[84] Bills in New York,[85] Minnesota,[86] and Nebraska[87] have proposed graduated monthly taxes charged per active user for platforms that collect data above a threshold.

15. Data Broker Tax – Companies that sell or license personal information (e.g., data brokers) would pay a tax based on the number of individuals whose data is sold or as a percentage of revenue. In April 2026, Kentucky enacted a 6%

[81] This paper excludes ideas and proposals to require payments to copyright holders for information used in AI training data because copyright is about remunerating rightsholders, rather than the public via the government, as is typical for taxes.
[82] Off. of Rep. Pramila Jayapal, The National AI Charter Act Framework 3 (2026), https://jayapal.house.gov/wp-content/uploads/2026/10/FINAL-National-AI-Charter-Act-Framework.pdf.
[83] Chi., Ill., Mun. Code § 4-156-1000 et seq. (2026).
[84] 805 Ill. Comp. Stat. 5/15.98 (2026) (effective Jan. 1, 2027).
[85] S. 4489 & Assemb. B. 1434A, 2025–2026 Leg., Reg. Sess. (N.Y. 2025) (previously introduced as S. 2012 & Assemb. B. 3959 in 2023–24 and S. 4959 & Assemb. B. 6199 in 2021–22) (proposing graduated monthly excise tax of $0.05 to $0.50 per New York consumer on for-profit entities that collect consumer data, other than contact information, on more than one million New York consumers).
[86] S.F. 3197, 94th Leg., Reg. Sess. (Minn. 2025); H.F. 3117, 94th Leg., Reg. Sess. (Minn. 2025) (proposing graduated monthly excise tax of $0.10 to $0.50 per Minnesota consumer on social media platforms that collect consumer data from more than 100,000 Minnesota consumers).
[87] L.B. 1025, 109th Leg., 2d Sess. (Neb. 2026) (proposing graduated monthly excise tax of $0.10 to $0.50 per Nebraska consumer on social media platforms that collect consumer data from more than 50,000 Nebraska consumers).

sales tax on data brokering services,[88] and in June 2026, New Jersey enacted a law requiring data broker registration fees tiered from $5,000 to $1.5 million per year based on the number of New Jersey residents whose data is sold or licensed.[89] Several other states have considered similar measures.[90]

IV. AI Company and Product Taxes

Leading AI model and application companies generate significant revenues but not necessarily profits, so revenue- and usage-based taxes would reach them today, while profit-based taxes would not. Narrowly defined bases (e.g., tokens) raise definitional questions and may be gamed, broader bases (e.g., digital services) reach beyond AI, and taxes on sales or revenue may be passed on to customers. Collecting through cloud providers can extend coverage to open-weight models. State taxes on digital companies face court challenges,[91] though proponents expect courts to uphold them.[92] This section also includes robotics, which many describe as "physical AI."

16. AI Revenue Tax or AI Gross Receipts Tax – AI companies would pay a tax on revenue or gross receipts from the sale of AI products and services (e.g., chatbot subscriptions, API fees).[93] Immediate expensing of domestic research

[88] Ky. Rev. Stat. Ann. §§ 139.010(6), 139.200(2)(ay) (2026).
[89] N.J. Stat. Ann. § 56:8-166.20 (2026).
[90] H.B. 1904, 65th Leg., Reg. Sess. (Wash. 2017) (proposing 3.3% B&O tax on gross income from sales of personal information); H.B. 1303, 67th Leg., Reg. Sess. (Wash. 2021) (proposing 1.8% B&O tax on gross income from sales of personal data); H.B. 2392, 81st Leg. Assemb., Reg. Sess. (Or. 2021) (proposing 5% tax on gross receipts from sales of personal information accumulated from the internet); S.B. 904 & H.B. 1089, 447th Gen. Assemb., Reg. Sess. (Md. 2025) (proposing 6% tax on data brokers' gross income); S. 3702, 2025–2026 Leg., Reg. Sess. (N.Y. 2025) (proposing 5% tax on gross income of corporations deriving income from New Yorkers' data); S. 5434, 2025–2026 Leg., Reg. Sess. (N.Y. 2025) (proposing 2% tax on gross receipts from commercializing data, multiplied by the share of data subjects residing in New York).
[91] Bryan P. Sears, *State Appeals Tax Court Ruling That Struck Down Digital Ad Tax*, MD. MATTERS (Sept. 15, 2026), https://marylandmatters.org/2026/09/15/state-appeals-tax-court-ruling-that-struck-down-digital-ad-tax/.
[92] Nick Johnson, *Taxing Advertising Would Modernize State Sales Tax Bases for the Information Age*, INST. ON TAX'N & ECON. POL'Y (May 7, 2026), https://itep.org/advertising-sales-tax-state-revenue/ [hereinafter Johnson, *Taxing Advertising*]; Nick Johnson, *Maryland Digital Advertising Ruling Shouldn't Stop Other States from Considering Ad Taxes*, INST. ON TAX'N & ECON. POL'Y (Aug. 26, 2026), https://itep.org/maryland-digital-advertising-ruling-shouldnt-stop-other-states-from-considering-ad-taxes/.
[93] Arthur Mensch, *Mistral CEO: AI Companies Should Pay a Content Levy in Europe*, FIN. TIMES (Mar. 20, 2026), https://www.ft.com/content/d63d6291-687f-4e05-8b23-4d545d78c64a.

and software development costs, restored in 2025, further reduces their taxable income.[94] In October 2026, Senator Ruben Gallego (D) released an economic plan that proposed exploring an excise tax on large AI company revenue.[95]

17. Token Tax or AI Usage Tax – AI model providers or AI enterprise users would be taxed a fixed amount per token used or a percentage of the sale of tokens.[96] Because tokens are a proxy for revenue, a Token Tax is like an AI Revenue Tax. Token taxes focus on AI inference (i.e., use of a model) rather than training. Variants include replacing tokens with floating-point operations (FLOPs) or, even more simply, bytes. In August 2026, Representative Greg Casar (D) introduced legislation to impose a tax on the greater of the value of tokens processed or revenue from AI services,[97] and in September 2026, Senator Mark Kelly (D) introduced legislation to tax AI-generated content at $1.10 for every 10 gigabytes, after the first 10 gigabytes per year per customer.[98] In October 2026, Senator Ruben Gallego (D) released an economic plan that proposed exploring a token tax.[99] In March 2026, California gubernatorial candidate Tom Steyer (D) proposed a ballot measure to establish

[94] One Big Beautiful Bill Act, Pub. L. No. 119-21, § 70302, 139 Stat. 72, 190 (2025) (codified at 26 U.S.C. § 174A).
[95] Off. of Sen. Ruben Gallego, *supra* note 25, at 18.
[96] Jim VandeHei & Mike Allen, *Behind the Curtain: A White-Collar Bloodbath*, AXIOS (May 28, 2025), https://www.axios.com/2025/05/28/ai-jobs-white-collar-unemployment-anthropic; *Preparing for AI's Economic Impact: Exploring Policy Responses*, ANTHROPIC (Oct. 14, 2025), https://www.anthropic.com/research/economic-policy-responses; Katherine Bindley, *What Is a 'Compute Tax' and Why Is the Idea Gaining Traction?*, WALL ST. J. (May 7, 2026), https://www.wsj.com/tech/ai/job-losses-ai-compute-tax-ubi-89b7802e; Bill Gates, *The Turbulent AI Era Is Here. The Choices We Make Now Are Critical*, GATES NOTES (Aug. 26, 2026), https://www.gatesnotes.com/a-turbulent-ai-era-&-critical-choices-to-make; Lucas Irwin, Tung-Yu Wu & Fazl Barez, *Position: Token Taxes Can Mitigate AI's Economic Risks* (June 11, 2026) (preprint), http://arxiv.org/abs/2603.04555; Mark Cuban [@mcuban], *We Should Federally Tax Tokens at the Provider Level…*, X (May 15, 2026), https://x.com/mcuban/status/2055399906127344068; Korinek & Lockwood, *Primer, supra* note 71, at 27; Greg Jensen & Nir Bar Dea, *This Is One of the Most Important Policy Decisions of Our Lifetime*, N.Y. TIMES (Aug. 14, 2026), https://www.nytimes.com/2026/08/14/opinion/ai-policy-tax-technology.html; Faivre & Cen, *supra* note 31, at 22–23; *Token Taxes*, WINDFALL POL'Y ATLAS, https://windfalltrust.org/policy-atlas/token-taxes (last visited Oct. 1, 2026).
[97] AI Tax and Work Protection Act, H.R. 10044, 119th Cong. (2026); *see also* Greg Casar, *Tax AI to Create Jobs*, AM. PROSPECT (May 28, 2026), https://prospect.org/2026/05/28/tax-ai-to-create-jobs/.
[98] Make AI Work for Americans Act, S. 5518, 119th Cong. § 202 (2026).
[99] Off. of Sen. Ruben Gallego, *supra* note 25, at 18–19.

a token tax that would finance a sovereign wealth fund for the state.[100]

18. Digital Services Tax (DST) – Sellers of digital services would pay a tax on gross revenue from digital services earned from consumption in the taxing jurisdiction.[101] The premise of a DST is that large online platforms, which are generally also AI companies, give away "free" products to users in one jurisdiction, while they book profits and hold intellectual property (IP) in other jurisdictions, thereby reducing tax revenue where the free product was consumed. DSTs are typically applied by other countries trying to tax U.S. companies, but states have proposed and enacted DSTs too.[102] State DST proposals have mostly targeted digital advertising (discussed next) or per-user data collection (see #14), rather than applying to a broader set of digital services (e.g., the EU proposal also includes online marketplaces[103]).

19. Surveillance Advertising Tax or Digital Advertising Tax – Companies that sell ads based on personal data would pay a sales tax or a gross receipts tax.[104] This tax is a type of DST. The monetization of personalized advertising at firms like Google and Meta enabled the development of modern AI tools, AI has long been used to target ads, and AI tools are integrated in those companies'

[100] *Tom's AI Plan*, TOM STEYER FOR GOVERNOR 5 (2026), https://www.tomsteyer.com/api/media/file/TomsAIPlan.pdf.
[101] Young Ran (Christine) Kim & Darien Shanske, *State Digital Services Taxes: A Good and Permissible Idea (Despite What You Might Have Heard)*, 98 NOTRE DAME L. REV. 741 (2022); Korinek & Lockwood, *Primer*, *supra* note 71, at 28; Andrew Jones, *How States Are Taxing Digital Goods, Social Media, and Targeted Advertising*, MULTISTATE (July 30, 2026), https://www.multistate.us/insider/2026/7/30/how-states-are-taxing-digital-goods-social-media-and-targeted-advertising.
[102] Jones, *supra* note 101.
[103] Eur. Comm'n, Proposal for a Council Directive on the Common Sys. of a Dig. Servs. Tax on Revenues Resulting from the Provision of Certain Dig. Servs., art. 3(1), COM (2018) 148 final (Mar. 21, 2018).
[104] Saadia Madsbjerg, *It's Time to Tax Companies for Using Our Personal Data*, N.Y. TIMES (Nov. 14, 2017), https://www.nytimes.com/2017/11/14/business/dealbook/taxing-companies-for-using-our-personal-data.html; Paul Romer, *A Tax That Could Fix Big Tech*, N.Y. TIMES (May 6, 2019), https://www.nytimes.com/2019/05/06/opinion/tax-facebook-google.html; Paul Romer, *Taxing Digital Advertising* (May 17, 2021), https://adtax.paulromer.net/; Chi Nguyen & Robert Seamans, *What Is a Digital Ad Tax?*, BROOKINGS INST. (Oct. 2, 2025), https://www.brookings.edu/articles/what-is-a-digital-ad-tax/; Renu Zaretsky, *Big Tech Has Our Data. Should We Tax Them on It?*, TAX POL'Y CTR. (Mar. 3, 2021), https://taxpolicycenter.org/taxvox/big-tech-has-our-data-should-we-tax-them-it; Johnson, *Taxing Advertising*, *supra* note 92; Jones, *supra* note 101.

popular products.[105] Additionally, OpenAI has started integrating advertising in its applications.[106] In September 2026, Senator Mark Kelly (D) introduced legislation to impose a 5% tax on large firms' gross revenue from digital ads displayed to U.S. users.[107] Many states have taxed or are considering taxing digital ads.[108] Maryland[109] and Utah[110] have enacted taxes on gross revenue from digital ads, modeled on international DSTs, though a Maryland court struck down Maryland's tax in August 2026 and the state has appealed. Other states reach advertising through existing broad-based taxes: Hawai'i's general excise tax[111] and New Mexico's gross receipts tax[112] apply to ad receipts, and Washington extended its retail sales tax to ad services in 2025.[113]

20. Digital Goods Sales Tax or AI Subscription Sales Tax – Sellers of digital goods and services (e.g., software downloaded or remotely accessed) would pay state and local sales and use taxes.[114] Unlike a DST, which is a separate tax on a seller's gross revenue from a narrow set of services, this approach extends an

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[105] Asad Ramzanali & Joel Thayer, *Google's Search Monopoly Money Will Let It Purchase the AI Market*, PROMARKET (Sept. 2, 2026), http://www.promarket.org/2026/09/02/googles-search-monopoly-money-will-let-it-purchase-the-ai-market/.

[106] Suzanne Vranica, *Inside OpenAI's Ad Rush*, WALL ST. J. (Sept. 15, 2026), https://www.wsj.com/business/media/inside-openais-ad-rush-41c92de2.

[107] Make AI Work for Americans Act, S. 5518, 119th Cong. § 201 (2026).

[108] *See, e.g.,* Assemb. B. 796, 2025–2026 Leg., Reg. Sess. (Cal. 2025) (tax on social media ad receipts); S.B. 1327, 2023–2024 Leg., Reg. Sess. (Cal. 2024) (7.25% tax on digital ad receipts); H. 3208, 194th Gen. Ct., Reg. Sess. (Mass. 2025) (6.25% sales tax on digital ads); H.B. 4142, 103d Leg., Reg. Sess. (Mich. 2025) (2.5%–10% tax on digital ad revenue, graduated by global revenue); S. 4778 & Assemb. B. 7805, 2025–2026 Leg., Reg. Sess. (N.Y. 2025) (7% tax on digital ad revenue); H.B. 1678, 209th Gen. Assemb., Reg. Sess. (Pa. 2025) (5% gross receipts tax on digital ad revenue); S. 2028 & H. 8198, 2026 Gen. Assemb., Jan. Sess. (R.I. 2026) (2.5%–7.5% tax on digital ad purchases, graduated by buyer's global revenue); State Budget Off., State of Mich., *Fiscal Year 2027 Executive Budget Recommendation General Briefing Papers* 8 (Feb. 11, 2026), https://www.michigan.gov/budget/-/media/Project/Websites/budget/Fiscal/Executive-Budget/FY27-Exec-Rec/Executive-Budget/FY27-Budget-Book.pdf (4.7% excise tax on digital ad revenue).

[109] Md. Code Ann., Tax-Gen. §§ 7.5-101 to -301 (2026); Sears, *supra* note 91.

[110] Utah Code Ann. §§ 59-35-101 to -203 (2026).

[111] Haw. Rev. Stat. § 237-13(6) (2025).

[112] N.M. Code R. § 3.2.213.13 (2023).

[113] Wash. Rev. Code §§ 82.04.050(3)(k), 82.08.020 (2026).

[114] Michael Mazerov, *States Should Embrace 21st Century Economy by Extending Sales Taxes to Digital Goods and Services*, CTR. ON BUDGET & POL'Y PRIORITIES (2012), https://www.cbpp.org/research/states-should-embrace-21st-century-economy-by-extending-sales-taxes-to-digital-goods-and; *Taxation of Digital Products*, NAT'L CONF. OF STATE LEGIS. (2025), https://documents.ncsl.org/wwwncsl/Fiscal/NCSL%20SALT%20-%20Brief%20-%20Taxation%20of%20Digital%20Goods.pdf; Jones, *supra* note 101.

existing, broad-based consumption tax to new products. Sales taxes were designed for tangible goods, so many states do not tax software accessed remotely rather than delivered on physical media or downloaded. AI chatbot subscriptions and API access are delivered remotely, so whether they are taxed depends on how a state classifies them (e.g., as remotely accessed software, data processing) and whether it taxes that category. As of August 2026, lawmakers had introduced 80 bills across 22 states to tax digital goods and services, 12 of which were signed into law.[115] California[116] and Colorado[117] will apply their sales taxes to software-as-a-service (SaaS) and other remotely accessed software beginning in 2027, and Utah expressly applied its sales tax to seller-hosted software and extended it to streaming content in March 2026.[118] Washington, which already taxed digital products, extended its retail sales tax to custom software, IT services, and website development in 2025, but in March 2026, it scheduled those expansions for repeal in 2029.[119] Locally, since 2023, Chicago has applied its lease transaction tax to paid ChatGPT subscriptions.[120]

21. Robot Gross Receipts Tax – Sellers of goods or services operated, performed, or delivered by robots (i.e., "physical AI") would pay a tax on gross revenue from consumption of the goods and services earned in the taxing jurisdiction.[121] Unlike a DST, which addresses the lack of physical nexus between where the product is consumed and the digital company, this tax reaches physical robots that operate in the same jurisdiction as the consumption of the good or service. A Robot Gross Receipts Tax addresses the difference between where the goods or services are consumed and where the related software, AI, or remote operators are based.

22. Robotaxi Tax – A robotaxi provider would pay a tax per vehicle mile traveled, a percentage of fares, or a percentage of gross receipts. This tax is a type of Robot Gross Receipts Tax, and robotaxis rely on AI for navigation. Currently,

[115] Jones, *supra* note 101.
[116] S.B. 122, 2025–2026 Leg., Reg. Sess. (Cal. 2026).
[117] H.B. 26-1223, 75th Gen. Assemb., 2d Reg. Sess. (Colo. 2026).
[118] S.B. 162, 2026 Gen. Sess. (Utah 2026).
[119] Wash. Rev. Code § 82.04.050 (2026); 2025 Wash. Sess. Laws ch. 422, §§ 101, 403; 2026 Wash. Sess. Laws ch. 238, §§ 1001–1003.
[120] Dylan Sharkey, *Chicago Starts Taxing ChatGPT, Artificial Intelligence*, ILL. POL'Y (Oct. 3, 2023), https://www.illinoispolicy.org/chicago-starts-taxing-chatgpt-artificial-intelligence/.
[121] Korinek & Lockwood, *Primer, supra* note 71, at 28.

Waymo offers a robotaxi service (i.e., without a human driver) to riders in 15 U.S. metros, with Tesla and Zoox also offering service in a subset of those markets.[122] In 2019, San Francisco voters approved a 1.5–3.25% tax on fares for ride-hailing rides, including robotaxis.[123] In 2016, Tennessee considered legislation to apply a $0.01-per-mile tax on all two-axle autonomous vehicles.[124] In May 2026, a Washington, D.C., Councilmember proposed legislation to authorize and regulate robotaxis that includes a $0.15-per-mile tax, measured as vehicle miles traveled (VMT), on commercially operated autonomous vehicles (e.g., robotaxis, autonomous delivery vehicles).[125]

23. Windfall Profits Tax or Excess Profits Tax – Companies across the AI supply chain would pay a tax on economic rents or profits above a threshold—e.g., a firm's historical baseline, normal rates of return in competitive markets, or a share of gross receipts.[126] These taxes have targeted gains from external shocks (e.g., U.S. crude oil profits as price controls were lifted in the late 1970s and early 1980s[127]) or market power inequities (e.g., a 1990s United Kingdom

[122] Kirsten Korosec, *Waymo Opens Robotaxi Service in Las Vegas*, TechCrunch (Sept. 14, 2026), https://techcrunch.com/2026/09/14/waymo-opens-robotaxi-service-in-las-vegas/; Rebecca Bellan, *Tesla Launches Robotaxi Rides in Austin with No Human Safety Driver*, TechCrunch (Jan. 22, 2026), https://techcrunch.com/2026/01/22/tesla-launches-robotaxi-rides-in-austin-with-no-human-safety-driver/.

[123] S.F., Cal., Bus. & Tax Regs. Code §§ 3203–3204 (2026).

[124] S.B. 1561, 109th Gen. Assemb., 2d Reg. Sess. § 12(a) (Tenn. 2016) (as introduced). Separately, in 2024, a failed San Francisco ballot measure would have added a gross receipts tax to robotaxi rides. Stephen Council, *San Francisco Rejects Muni-Funding Measure, Despite a 56% Vote*, SFGate (Nov. 8, 2024), https://www.sfgate.com/politics/article/prop-l-results-muni-funding-19886865.php.

[125] Autonomous Vehicle Deployment Authorization Amendment Act, B. 26-684 § 2(g), Council Period 26 (D.C. 2026).

[126] Carter C. Price & Jeffrey B. Wenger, *Tax Policy Options to Promote Employment and Mitigate Federal Revenue Impacts in the Age of AI*, RAND Corp. 8 (2026), https://www.rand.org/pubs/perspectives/PEA4392-3.html; Korinek & Lockwood, *Primer, supra* note 71, at 18–20, 24; Deric Cheng, Anna Schuh & Tam Trinh, *A Progressive Global Corporate Tax for the Age of AI*, AGI Soc. Cont. (Feb. 17, 2026), https://www.agisocialcontract.org/anthology/a-progressive-global-corporate-tax-for-the-age-of-ai; Faivre & Cen, *supra* note 31, at 11, 24. For a popular voluntary proposal, *see* Cullen O'Keefe et al., *The Windfall Clause: Distributing the Benefits of AI for the Common Good*, Ctr. for the Governance of AI & Future of Human. Inst. (2020), https://www.governance.ai/research-paper/the-windfall-clause-distributing-the-benefits-of-ai-for-the-common-good.

[127] Jane G. Gravelle & Molly F. Sherlock, *Crude Oil Windfall Profits Taxes: Background and Policy Considerations*, Cong. Rsch. Serv. (2022), https://www.congress.gov/crs-product/IF12064.

tax on recently privatized industries that had been sold too cheaply[128]). Variants include a progressive corporate income tax and an allowance for corporate equity. In 2022, U.S. lawmakers proposed one bill to enact a windfall tax focused on oil[129] and another bill focused more broadly on corporations with excess profits during the Covid-19 pandemic.[130] Calls for an AI windfall tax focus on the fact that a few AI infrastructure providers are seeing a spike in profits due to today's AI boom, and that AI companies may experience outsized, sustained profits, while society bears costs like job displacement and higher electricity bills. In September 2026, Senator Mark Kelly (D) introduced legislation that would impose a 50% tax on taxable income exceeding 40% of gross receipts for AI model makers, compute providers, and other large AI companies.[131]

24. Public Ownership – AI companies would pay an existing or new tax, remitted in equity rather than cash.[132] In June 2026, Senator Bernie Sanders (I) introduced legislation that would impose a tax, paid in stock, resulting in the government holding 50% of companies with more than $200 million in gross receipts from AI data centers, AI computing infrastructure (including semiconductors), AI services (i.e., developing or selling models trained above a compute threshold), or advanced robotics, plus an additional tax on later stock issuances to maintain the government's 50% stake.[133] The Trump administration has used public ownership policies, though those actions are

[128] Antony Seely, *The Windfall Tax (Research Brief No. 338)*, HOUSE OF COMMONS LIBR. (U.K.) (2004), https://researchbriefings.files.parliament.uk/documents/SN00338/SN00338.pdf.
[129] Big Oil Windfall Profits Tax Act, S. 3802 & H.R. 7061, 117th Cong. (2022) (reintroduced as S. 408 & H.R. 1014, 118th Cong. (2023); S. 4111 & H.R. 7960, 119th Cong. (2026)); Stop Gas Price Gouging Tax and Rebate Act, H.R. 7099, 117th Cong. (2022).
[130] Ending Corporate Greed Act, S. 3933 & H.R. 7443, 117th Cong. (2022) (reintroduced as S. 4642 & H.R. 8797, 118th Cong. (2024)).
[131] Make AI Work for Americans Act, S. 5518, 119th Cong. § 203 (2026).
[132] Sam Altman, *Moore's Law for Everything* (Mar. 16, 2021), https://moores.samaltman.com/; Jeremy Bearer-Friend & Sarah Polcz, *Sharing the Algorithm: The Tax Solution to Generative AI*, 17 COLUM. J. TAX L. 1 (2025); Korinek & Lockwood, *Primer*, *supra* note 71, at 29–30; Jensen & Bar Dea, *supra* note 96; *AI Equity Taxation*, WINDFALL POL'Y ATLAS, https://windfalltrust.org/policy-atlas/ai-equity-taxation (last visited Oct. 1, 2026). State and local governments could also impose taxes payable in equity. *See Leonard & Leonard v. Earle*, 279 U.S. 392, 395–96 (1929) (upholding a Maryland license tax requiring oyster packers to deliver 10% of their shells to the state or, at the state's option, their cash value).
[133] American AI Sovereign Wealth Fund Act, S. 4825, 119th Cong. (2026).

not taxes.[134]

25. AI Personhood – An AI system would be assigned legal personhood and taxed on its own income instead of having that income attributed to its owners.[135] Variants include putting each AI system in a separate corporate shell with a tax rate tied to assessed harms[136] and assigning personhood only where AI systems control economic resources in ways too opaque to attribute to their owners.[137] Several states have enacted laws to prohibit providing legal personhood to AI systems,[138] and more are considering doing so, often to clarify human or corporate responsibility for actions of AI systems.[139]

V. Automation Taxes

Experts and the public fear significant job disruptions from AI adoption. Tax approaches to these problems focus on employers adopting AI and other automation, not AI companies. Some economists argue the tax code already favors automation by taxing labor more heavily than capital, while critics argue taxing automation could slow productivity growth. Taxes meant to deter layoffs raise less revenue the more they succeed, and employers may avoid them by moving automated operations elsewhere. These taxes benefit from a clear goal, but determining which technologies count or attributing job cuts to technology presents administrability challenges—to the point

[134] Ana Swanson, *Trump Administration Is Snapping Up Stakes in Private Companies. Could A.I. Be Next?*, N.Y. TIMES (July 13, 2026), https://www.nytimes.com/2026/07/13/business/economy/trump-equity-stakes-ai.html.

[135] Michael J. Ahn, *Navigating the Future of Work: A Case for a Robot Tax in the Age of AI*, BROOKINGS INST. (May 13, 2024), https://www.brookings.edu/articles/navigating-the-future-of-work-a-case-for-a-robot-tax-in-the-age-of-ai/; XAVIER OBERSON, TAXING ARTIFICIAL INTELLIGENCE 217, 219 (2024) (proposing a second-stage AI tax including a tax based on AI personhood); Reuven Avi-Yonah et al., *Boden Lecture: Taxation of Autonomous Artificial Intelligence*, 108 MARQ. L. REV. 1081 (2025); David Elkins & Mirit Eyal, *Toward AI Tax Personhood* (Nov. 4, 2025) (preprint), https://papers.ssrn.com/abstract=5704505.

[136] Avi-Yonah et al., *supra* note 135.

[137] Elkins & Eyal, *supra* note 135.

[138] *See, e.g.,* Idaho Code § 5-346 (2022); N.D. Cent. Code § 1-01-49(17) (2023); Tenn. Code Ann. § 1-3-105(a)(20)(B) (2026); Utah Code Ann. § 63G-32-102(1) (2024).

[139] Martin Kaste, *Several States Considering Ban on Legal Personhood for AI*, NPR (May 11, 2026), https://www.npr.org/2026/05/11/nx-s1-5798754/several-states-considering-ban-on-legal-personhood-for-ai; Aaron Mak, *The Case Against AI Personhood*, POLITICO (May 27, 2026), https://www.politico.com/newsletters/digital-future-daily/2026/05/27/the-case-against-ai-personhood-00938508.

that many automation taxes may benefit from being applied broadly to all technologies or job losses.

26. Robot Tax[140] – Employers would be taxed on spending on technologies procured for the purpose of, or that have the effect of, displacing labor, or employers would amortize capital investments on those technologies over the period those investments depreciate rather than an accelerated or bonus schedule.[141] Variants include a narrower AI agent tax on firms that deploy AI agents in roles previously held by workers[142] and taxing the imputed salary of automated tasks.[143] In 2025, the Democratic staff of the Senate Health, Education, Labor, and Pensions (HELP) Committee included such a proposal in a report about AI and automation.[144]

27. Labor-Capital Tax Parity – Employers would pay higher taxes on capital, or individuals and employers would pay lower payroll taxes.[145] In 2019, New York

[140] "Robot tax" sometimes describes many ideas in this section; this paper uses that term more narrowly.
[141] QUARTZ, *Bill Gates Thinks We Should Tax the Robot That Takes Your Job* (2017), https://www.youtube.com/watch?v=nccryZOcrUg; Ryan Abbott & Bret Bogenschneider, *Should Robots Pay Taxes? Tax Policy in the Age of Automation*, 12 HARV. L. & POL'Y REV. 145 (2018); Acemoglu, Manera & Restrepo, *supra* note 9; Joao Guerreiro, Sergio Rebelo & Pedro Teles, *Should Robots Be Taxed?*, 89 REV. ECON. STUD. 279 (2022); Uwe Thuemmel, *Optimal Taxation of Robots*, 21 J. EUR. ECON. ASS'N 1154 (2023); Bernie Sanders, *AI Must Benefit Everyone, Not Just a Handful of Billionaires*, FOX NEWS (Oct. 6, 2025), https://www.foxnews.com/opinion/sen-sanders-ai-benefit-everyone-not-just-handful-billionaires; Gates, *supra* note 96; Korinek & Lockwood, *Primer, supra* note 71, at 27–28; Faivre & Cen, *supra* note 31, at 22; Price & Wenger, *supra* note 126, at 11; Assaf Harpaz, *Taxing AI*, 106 B.U. L. REV. (forthcoming 2026), https://papers.ssrn.com/abstract=6299564.
[142] *See, e.g.,* Kameswara Prasad Mukkamala, *Taxing the AI Agents: A Proposal for Corporate Taxation of Autonomous AI Systems That Displace Human Employment* (Feb. 7, 2026) (preprint), https://papers.ssrn.com/abstract=6194458.
[143] OBERSON, *supra* note 135, at 216–17, 219 (proposing a first-stage AI tax including a robot tax).
[144] Minority Staff of S. Comm. on Health, Educ., Lab. & Pensions, *The Big Tech Oligarchs' War Against Workers: AI and Automation Could Destroy Nearly 100 Million U.S. Jobs in a Decade* 24 (2025), https://www.sanders.senate.gov/wp-content/uploads/10.6.2025-The-Big-Tech-Oligarchs-War-Against-Workers.pdf.
[145] Abbott & Bogenschneider, *supra* note 141; Orly Mazur, *Taxing the Robots*, 46 PEPP. L. REV. 277 (2019); Acemoglu, Manera & Restrepo, *supra* note 9; Price & Wenger, *supra* note 126, at 6–7; Harpaz, *supra* note 141, at 32–38; Jake Angelo, *Ex-Presidential Candidate Andrew Yang Says It's Time to "Stop Taxing Labor" and Make AI Foot the Bill Instead*, FORTUNE (Mar. 13, 2026), https://fortune.com/2026/03/13/andrew-yang-income-tax-ai-humanoid-robots-taking-jobs/; Gunjan Banerji & Nikki Walker, *Tech Billionaire Vinod Khosla Wants to Pay More Taxes. He Explained to Us Why*, WALL ST. J. (July 5, 2026), https://www.wsj.com/business/venture-capitalist-vinod-khosla-wsj-money-interview-5ca5a2a5; Greg Ip, *A*

City Mayor Bill de Blasio (D) included "closing the automation loophole" as part of his presidential campaign.[146] In 2025, the Democratic staff of the Senate HELP Committee included such a proposal in a staff report about AI.[147]

28. Layoff Tax or Payroll Continuance Tax – Employers would keep paying payroll taxes for eliminated jobs for some period after a layoff.[148] In 2017, a San Francisco supervisor explored proposing a statewide ballot initiative for such a tax.[149] In 2019, a Chicago alderman called for a "robot tax" on companies that had received city development incentives, possibly equal to the annual salary of each job they later automated.[150] De Blasio's 2019 presidential campaign also proposed such a tax.[151] The state of New York considered a tax on displacement in 2023[152] and 2025.[153] In October 2026, Senator Ruben Gallego (D) released an economic plan that proposed a tax that would maintain company payroll contributions for jobs eliminated by automation.[154]

29. Displaced Worker Surcharge – Employers that cut jobs or hours above a certain threshold would be taxed a percentage of overall revenue or profits, additional revenue or profits, or a per-displaced-employee revenue or profit amount. In 2025, a New York state assemblymember proposed such a surcharge.[155]

Simple Answer to AI Job Loss: Tax Capital, Not Labor, WALL ST. J. (July 31, 2026), https://www.wsj.com/tech/ai/a-simple-answer-to-ai-job-loss-tax-capital-not-labor-cb900e62.

[146] Bill de Blasio, *Why American Workers Need to Be Protected from Automation*, WIRED (Sept. 2019), https://www.wired.com/story/why-american-workers-need-to-be-protected-from-automation/.

[147] Minority Staff of S. Comm. on Health, Educ., Lab. & Pensions, *supra* note 144, at 24.

[148] QUARTZ, *supra* note 141.

[149] Catherine Clifford, *Automation Could Kill 2x More Jobs than the Great Depression—so San Francisco Lawmaker Pushes for Bill Gates' "Robot Tax,"* CNBC (Aug. 24, 2017), https://www.cnbc.com/2017/08/24/san-francisco-lawmaker-pushes-forward-bill-gates-robot-tax.html; Trent Gillies, *What Would Skynet Do? One San Francisco Official Is Pushing for a "Robot Tax,"* CNBC (Oct. 8, 2017), https://www.cnbc.com/2017/10/08/san-franciso-official-pushes-for-taxes-on-robots.html.

[150] Fran Spielman, *Pawar Proposes Claw-Back Clause, Robot Tax to Guard Against Amazon Automation*, CHI. SUN-TIMES (Feb. 12, 2019), https://chicago.suntimes.com/2019/2/12/18314110/pawar-proposes-claw-back-clause-robot-tax-to-guard-against-amazon-automation.

[151] De Blasio, *supra* note 146.

[152] Assemb. B. 8179B, 2023–2024 Leg., Reg. Sess. (N.Y. 2023).

[153] Assemb. B. 3719, 2025–2026 Leg., Reg. Sess. (N.Y. 2025).

[154] Off. of Sen. Ruben Gallego, *supra* note 25, at 19.

[155] New York Workforce Stabilization Act, Assemb. B. 5429A § 3 (proposed N.Y. Tax Law § 186-h(1)), 2025–2026 Leg., Reg. Sess. (N.Y. 2025).

VI. General Tax Reforms Relevant to AI

The reforms in this section are not specific to AI, but each has been discussed as reaching AI companies, their investors, or AI-related wealth. AI and tech companies can reduce income taxes by shifting where profits are recognized and intellectual property is held. AI founders and investors hold much of their wealth as stock, which is taxed at preferential rates and only when sold. Broad reforms avoid the problem of defining AI but do not target AI specifically.

30. Value-Added Tax (VAT) – Businesses would pay a percentage of the value they add at each stage of production, crediting VAT paid on inputs. The U.S. is the only country in the Organisation for Economic Co-operation and Development (OECD) without a VAT.[156] Former Senator Ben Cardin (D) sponsored legislation to impose a 10% VAT while cutting income taxes.[157] Andrew Yang's 2020 Democratic presidential campaign proposed a 10% VAT, citing automation.[158] Because a VAT is typically destination-based, it would apply where AI products and services are consumed, regardless of where profits are recognized and intellectual property is held.[159]

31. Corporate Income Tax Increases – Corporations would pay a higher income tax rates (flat 21% at the federal level today), either a single higher rate or graduated rates that rise with the amount of profit.[160] In 2024, Senator Bernie Sanders (I) and Representative Jan Schakowsky (D) introduced legislation to

[156] Alex Muresianu, *When Taxing AI, Don't Reinvent the Wheel*, TAX FOUND. (Feb. 4, 2026), https://taxfoundation.org/blog/ai-tax-policy/; Price & Wenger, *supra* note 126, at 9. At the state level, Michigan levied a value-added tax, the Single Business Tax, from 1976 through 2007. See Trinova Corp. v. Mich. Dep't of Treasury, 498 U.S. 358, 366–67 (1991) (describing the tax as "an addition method VAT"); 2006 Mich. Pub. Acts 325 (repealing the tax after 2007).

[157] Progressive Consumption Tax Act, S. 5031, 116th Cong. (2020) (previously introduced as S. 3529, 114th Cong. (2016); S. 3005, 113th Cong. (2014)).

[158] *Value-Added Tax*, YANG2020 - ANDREW YANG FOR PRESIDENT, https://www.yang2020.com/policies/value-added-tax/ (last visited Oct. 3, 2026).

[159] OBERSON & YAZICIOĞLU, *supra* note 80, at 205–16; Huynh, Mittal & Frank, *supra* note 27, at 36–40; *Preparing for AI's Economic Impact*, *supra* note 96; Muresianu, *supra* note 156; Korinek & Lockwood, *Primer, supra* note 71, at 4–5, 26, 28; Price & Wenger, *supra* note 126, at 9; Harpaz, *supra* note 141, at 42–46; *Consumption Taxes*, WINDFALL POL'Y ATLAS, https://windfalltrust.org/policy-atlas/consumption-taxes (last visited Oct. 2, 2026).

[160] Huynh, Mittal & Frank, *supra* note 27, at 44–47; Cheng, Schuh & Trinh, *supra* note 126; *Global Corporate Taxes*, WINDFALL POL'Y ATLAS, https://windfalltrust.org/policy-atlas/increased-corporate-taxation (last visited Oct. 2, 2026).

restore the pre-2018 rates, with a top rate of 35%.[161] AI may concentrate profits in a few tech companies adept at minimizing taxes, so a higher rate can be buttressed by a global minimum tax, under which large multinationals pay a top-up tax wherever their effective tax rate falls below 15%. More than 140 countries have agreed to the tax through the OECD, but in January 2026 the U.S. secured an exemption for U.S.-parented multinationals.[162] Variants include raising the global minimum (e.g., to 25%) for the most profitable companies. Forty-four states also levy a corporate income tax.[163]

32. Capital Gains Tax Increases – Individuals would pay ordinary income tax rates on long-term capital gains, including carried interest, rather than a top rate of 20%.[164] The lower rate favors capital owners, including those who hold stock in AI companies. A group of 18 Representatives and four Senators sponsored legislation to end preferential rates on capital gains above $1 million in taxable income.[165] Separate legislation would tax carried interest at ordinary income rates.[166] Variants include taxing unrealized gains annually (i.e., mark-to-market), a minimum tax on wealthy households' total income including unrealized gains, and taxing gains when assets pass at death or by gift rather than giving heirs a stepped-up basis or gift recipients the donor's basis. In 2025, Senator Ron Wyden (D) and Representatives Steve Cohen (D) and Don Beyer (D) introduced legislation to tax the unrealized gains of taxpayers with more than $1 billion in assets or $100 million in income for three consecutive years.[167] Most states

[161] Corporate Tax Dodging Prevention Act, S. 4098 & H.R. 7933, 118th Cong. (2024).
[162] Fatima Hussein, *US-Based Multinational Companies Will Be Exempt from Global Tax Deal*, AP NEWS (Jan. 5, 2026), https://apnews.com/article/tax-europe-oecd-91627ddcf78c145dab9775252aa08c85.
[163] Abir Mandal, *State Corporate Income Tax Rates and Brackets, 2026*, TAX FOUND. (Jan. 5, 2026), https://taxfoundation.org/data/all/state/state-corporate-income-tax-rates-brackets/.
[164] Off. of Sen. Ruben Gallego, *supra* note 25, at 10, 15; Vinod Khosla, *Refounding America: The Tax Code Needs to Change in the Age of AI*, INFORMATION (Sept. 14, 2026), https://www.theinformation.com/articles/refounding-america-tax-code-needs-change-age-ai; *Industrial Policy for the Intelligence Age: Ideas to Keep People First*, OPENAI 6 (2026), https://openai.com/index/industrial-policy-for-the-intelligence-age/; Price & Wenger, *supra* note 126, at 8–9; Harpaz, *supra* note 141, at 38–42 (arguing for a variant limited to gains on interests in AI-intensive firms); Wamhoff, Hughes & Frankel, *supra* note 5.
[165] Equal Tax Act, H.R. 5336, 119th Cong. (2025); S. 4122, 119th Cong. (2026).
[166] Carried Interest Fairness Act, S. 445 & H.R. 1091, 119th Cong. (2025).
[167] Billionaires Income Tax Act, S. 2845 & H.R. 5427, 119th Cong. (2025) (previously introduced as S. 3367, 118th Cong. (2023)).

also tax capital gains,[168] and in 2025, Washington changed its capital gains tax to a two-tiered regime with higher taxes on gains over $1 million.[169]

33. Wealth Tax and Wealth Transfer Tax – Wealthy individuals would pay an annual tax on wealth, not just income, and estates or heirs would pay a tax on large inheritances.[170] These taxes would reach AI founders' and investors' stock without waiting for a sale. In March 2026, over 40 Democratic Representatives and 11 Democratic Senators sponsored legislation to tax net worth above $50 million, and the federal estate tax applies a 40% rate above a $15 million exemption.[171]

34. Qualified Small Business Stock (QSBS) Exclusion Repeal – Startup founders and investors would pay capital gains tax on the QSBS gains currently exempted.[172] QSBS is stock that founders and early investors receive directly from a qualifying startup. If they hold it for five years, they pay no federal tax on at least $15 million in gains, and investors can shelter up to 10 times what they invested. In 2021, the House passed legislation that would have limited taxpayers with income of $400,000 or more to excluding half of their QSBS gains.[173] In 2026, several states have stopped allowing the QSBS exclusion on

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[168] Kelley R. Taylor, *State Capital Gains Tax Rates for 2026: How Much Investors Pay This Year*, KIPLINGER (July 16, 2026), https://www.kiplinger.com/taxes/state-capital-gains-tax-rates.
[169] Wash. Rev. Code § 82.87.040 (2026).
[170] Huynh, Mittal & Frank, *supra* note 27, at 58–62; *Preparing for AI's Economic Impact*, *supra* note 96; Philip Trammell & Dwarkesh Patel, *Capital in the 22nd Century* (Dec. 29, 2025), https://philiptrammell.substack.com/cp/182887993; Gavin Newsom, *It's Time for a National Billionaires' Tax and a New Social Compact* (June 26, 2026), https://gavinnewsom.substack.com/p/its-time-for-a-national-billionaires; Price & Wenger, *supra* note 126, at 9–10; Harpaz, *supra* note 141, at 29–32; Khosla, *supra* note 164; *Wealth Taxes*, WINDFALL POL'Y ATLAS, https://windfalltrust.org/policy-atlas/wealth-taxes (last visited Oct. 2, 2026). *See also* 2026 Billionaire Tax Act, Initiative No. 25-0024A1 (Cal. 2025), https://oag.ca.gov/system/files/initiatives/pdfs/25-0024A1%20%28Billionaire%20Tax%20%29.pdf (qualified as Proposition 40 for the Nov. 3, 2026, general election).
[171] Ultra-Millionaire Tax Act of 2026, S. 4246 & H.R. 8085, 119th Cong. (2026).
[172] Gregg Polsky & Ethan Yale, *A Critical Evaluation of the Qualified Small Business Stock Exclusion*, 42 VA. TAX REV. 353 (2023); Sarah Austin & Nick Johnson, *Quite Some BS: Expanded 'QSBS' Giveaway in Trump Tax Law Threatens State Revenues and Enriches the Wealthy*, INST. ON TAX'N & ECON. POL'Y (Oct. 2, 2025), https://itep.org/qsbs-trump-tax-law-threatens-state-revenues-enriches-wealthy/. *See also* Elizabeth Warren & Angus S. King, Jr., Letter to Thomas A. Barthold, Joint Comm. on Tax'n, on QSBS (July 28, 2026), https://www.warren.senate.gov/wp-content/uploads/2026/07/Letter-from-Senators-Warren-King-to-JCT-on-QSBS-Exclusion.pdf.
[173] Build Back Better Act, H.R. 5376, 117th Cong. § 138149 (as passed by House, Nov. 19, 2021).

their state income taxes.[174] With AI startups drawing a large share of venture capital, the exclusion increasingly benefits AI founders and investors.[175]

Conclusion

From city councils to Congress, taxing AI is starting to become a priority. It should be. AI is contributing little to the tax base while it benefits from tax breaks, and its adoption threatens the wage base that funds much of government. This paper has described 34 ways to tax AI across six categories: data center taxes, chip taxes, data taxes, AI company and product taxes, automation taxes, and general tax reforms relevant to AI. Many have already been proposed or enacted, particularly at the state and local level. The options reach different parts of the AI Tech Stack, fall on different payers, and vary in how hard they are to administer. They are not mutually exclusive, and local, state, and federal policymakers can pursue several at once.

[174] Nick Johnson, *States Are Standing Up to the Monster Known as QSBS*, INST. ON TAX'N & ECON. POL'Y (June 5, 2026), https://itep.org/state-decoupling-qsbs-revenue-loss-tax-avoidance/; *Which States Have Not Decoupled from QSBS in 2026?*, INST. ON TAX'N & ECON. POL'Y (Aug. 19, 2026), https://itep.org/which-states-have-not-decoupled-from-qsbs-in-2026/.

[175] Gené Teare, *Crunchbase Data: Q3 2026 Posted a Record Count of Billion-Dollar Rounds as the Global AI Race Heats Up*, CRUNCHBASE NEWS (Oct. 5, 2026), https://news.crunchbase.com/venture/q3-2026-global-startup-funding-ai-billion-dollar-rounds-exits-data/.