New Jersey EDA's Next NJ Program - AI Continues to Make Tax Incentives Available to Artificial Intelligence Data Centers

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The New Jersey Economic Development Authority's (EDA) "Next NJ Program – AI" tax credit incentive remains available to developers of large-scale data centers that provide AI processing functions. The Next NJ Program Act, which was signed into law on July 25, 2024, seeks to attract the artificial intelligence industry and AI-related businesses to New Jersey. The Next NJ Program is designed to leverage $500 million of uncommitted tax incentive funds from the EDA's Emerge/Aspire programs, which were created under the New Jersey Economic Recovery Act of 2020.

While the development of data centers in New Jersey has been ongoing for several years, the focus of the Next NJ Program is on data centers that provide AI computing functions. These data centers, often referred to as "hyperscale-centers" due to their extraordinary processing power and large-scale electrical requirements, require significant planning, thoughtful siting, and substantial investment. The Next NJ Program is available only to data centers that perform AI computing functions (*i.e.*, hyperscale datacenters).

To be eligible for the Next NJ Program, a project (or business) must be engaged primarily in the AI industry or large-scale AI data center industry, demonstrated by more than 50% of employees or revenue in AI-related activities. Further, the project (or business) must meet the following requirements, among other things:

- A $100 million capital investment
- Creation of at least 100 new full-time jobs, in which at least 80% of incented employee work time is spent in New Jersey
- Salaries at least 120% of the median salary for the county of the project
- At least 50% of the businesses' employees engaged in AI-related activities or at least 50% of the business' revenue is generated by AI-related activities

- The business is engaged in a collaborative relationship with either a New Jersey-based public or private research university
- A New Jersey-based technology startup company, or a New Jersey-based entity in which the majority of its members are startup technology companies.

Hyperscale data centers have energy demands that are as high as 200-300 watts per square foot compared to previous data centers that required approximately 20-30 watts per square foot. This ten-fold increase in demand is due to the higher density of electronic equipment coupled with the robust cooling needs of computers using newer Intelligence AI chip technology.

Key considerations associated with the development of AI data centers include securing reliable sources of electrical supply through interconnection to the electrical grid, procuring power from sources of on-site generation, establishing redundant sources of electricity supply, securing sufficient space for the installation of required electrical substation equipment, compliance with local zoning requirements, access to water sources to support cooling equipment, accessibility to fiber optic resources, and environmental approvals, including possible air permits.

The Next NJ Program got off to a slow start and began accepting applications in March 2025. The EDA intends to accept program applications on a rolling basis through March 1, 2029, subject to available credits.

In November 2025, the EDA approved the first application for incentives in connection with the investment of almost $ 2 billion in a hyperscale data center that will focus on AI computing. Under the approved application, CoreWeave, a cloud based computing company that specializes in AI-related infrastructure, has begun construction of a $1.8 billion, 250-megawatt AI data center at the former Merck campus in Kenilworth. Under the Next NJ Program, the project has been awarded a five-year, $250 million tax credit. The project is a 392,600-square-foot facility consisting of 108,100 square feet of new construction and a retrofit of 284,500 square feet. The estimated date for the commencement of operations is 2027. The program approval requires the tax incentive recipient to, among other things, remain in New Jersey for ten years, create and maintain certain job commitments and maintain various salary commitments.

The popularity of the Next NJ Program for hyperscale data centers remains uncertain given the many challenges associated with constructing hyperscale data centers in New Jersey. One of the foremost challenges in connection with hyperscale data center is the ability to secure a continuous, uninterrupted source of electricity to power the data center. For certain locations in New Jersey, developers may be unable to secure a sufficient and affordable level of electric service from the local electric utility. Developers of hyperscale facilities may need to develop their own sources of electricity.

Given New Jersey's general resistance to the construction of natural-gas fired electricity generation, securing required approvals to construct on-site generation facilities is likely to prove difficult. While alternative sources of electricity generation such as fuel cells and solar power may be sufficient to offset some of a hyperscale data center's electricity needs such alternative generation sources may have difficulty generating sufficient electricity.

To learn more about the Next NJ Program's tax incentives, program eligibility, or whether the program can be beneficial to the development of your data center project, please contact the author of this Client Alert.

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