

Proposal Summary

The proposal extends the sunset of the technology readiness GRT (TRGR) credit from FY28 to FY38 and increases the annual expenditure cap from \$1 million to \$10 million per laboratory. The technology readiness GRT credit provides a subsidy to the state's two national laboratories if they provide technical assistance to a New Mexico business with a technology license or research agreement with the national laboratory. Currently, a national lab may receive up to \$150 thousand per business for qualified expenditures, subject to a \$1 million aggregate cap per laboratory. Under the proposal, a national lab may receive up to \$500 thousand per assisted business for qualified expenditures, subject to a \$10 million aggregate cap per laboratory.

The proposal also makes a minor adjustment to the purpose of the technology readiness GRT credit and provides statutory language clean-up. The effective date of this bill is July 1, 2027.

Issues

According to economic development literature, tax incentives have the lowest return on investment (ROI) of many economic development investments,¹ because they subsidize all eligible businesses, not just those who otherwise would not have chosen to relocate, expand, or continue business in New Mexico. Cost-effective approaches support only those businesses who would not have engaged in a business activity but for an intervention or investment.

The technology readiness GRT credit offers an incentive to the National Technology and Engineering Solutions of Sandia, LLC, a subsidiary of Honeywell International, Inc., and Triad National Security, LLC, both of which manage the operations of the Federally Funded Research and Development Centers (FFRDC). Under the credit, these corporations offset the cost of providing technical assistance to businesses that have licensed technology or have engaged in a research agreement with a national laboratory.

Given the design of the program, the credit likely has a better “but for” percentage than many other tax incentives. Additionally, the activity is narrowly tailored to research and development activities, which typically have the largest economic multipliers. Additionally, the laboratories provide detailed annual reports that allow the Legislature to provide oversight to program outcomes.

¹ For example, Bartik (2022) finds that the cost per job of business tax incentives was an estimated \$296 thousand, compared with \$97 thousand for infrastructure investments, \$54 thousand for customized job training, and \$50 thousand for manufacturing extension services.

TRGR Increase and Sunset Extension

**Sponsors: Rep. Dixon/Sen.
Padilla**

**202#: 234672.1 (House); 234818.1
(Senate)
October 15, 2026**

**One-Year Cost
\$20.0M general fund**

**Five-Year Cost
\$100.0M general fund**

Impact by Fund

Fund	1 Year	5 Year
General fund	\$20.0	\$100.0

In FY25, the credit supported 22 projects, 10 businesses licensed technology, and 12 businesses were engaged in the cooperative research and development agreement. Laboratories provided \$1.5 million in technical assistance in FY25.

Tax Expenditure Assessment

In 2026, the legislative finance committee (LFC) began a review of economic development tax expenditures to estimate the economic and fiscal impacts of tax deductions and credits. In its review of the technology readiness GRT credit, LFC estimated that the economic return on investment (ROI) was 17 percent, meaning for every \$1 spent on the credit, the New Mexico economy grows by 17 cents. The estimated annual return in revenue is -93 percent, meaning that for every \$1 spent, the state forgoes 93 cents and recaptures 7 cents of state tax revenue.

In addition, the assessments consider whether tax expenditures meet LFC tax policy principles. The credit has an expenditure cap and an expiration date, but it does not target distressed areas. The credit targets export-based industries. The [report](#) can be accessed online.

Comparison to Approved Guidelines

The proposal meets each of the committee guidelines. The criteria are designed as an example of national best practices in tax policy design. The proposal provides a purpose statement, a theory of change, measurable targets, best-practice design criteria, and robust reporting requirements.

The proposal continues the reporting requirements, including the requirement to present annually a summary of technical assistance, survey results, total spending amounts, and an economic impact study. The sunset date is extended ten years to FY38. The proposal establishes an annual cap of \$20 million.

1	Clearly Stated Purpose	Does the proposal identify the problem to be solved?	✓
		Does it explain why a tax policy change is the right solution?	✓
		If an economic development incentive, is the purpose included in the language of the proposal itself?	✓
2	Theory of Change or Logic Model	Does the proposal explain how the tax change will achieve the intended outcome?	✓
		Does it identify the taxpayer behavior it is intended to influence?	✓
3	Measurable Goals and Targets	Does the proposal identify expected outcomes?	✓
		Does it identify affected populations or activities?	✓
		Does it explain how success will be measured?	✓
4	Fiscal Impact Analysis	Does the proposal estimate the impact on the general fund?	✓
		Does it estimate the impact on the local government and other funds?	✓
		Does it identify the impacts as recurring or nonrecurring?	✓
5	Expiration Date (Sunset)	Does the proposal include a delayed repeal?	✓
6	Expenditure Cap	If feasible, does the proposal include an annual or aggregate cap on total cost?	✓
7	Effective Targeting	Does the proposal clearly identify eligible taxpayers or activities?	✓
		Does it limit benefits to those populations or activities necessary to achieve the stated purpose?	✓
8	Reporting Requirements	Does the proposal require sufficient reporting on utilization, cost, and outcomes?	✓
		Does it provide for data collection, sharing, and analysis?	✓
		Does it identify performance measures and targets?	✓

Fiscal Impacts

Expenditures of the technology readiness GRT credit reached its cap in fiscal year 2024. It is expected that the cap will continue to be met in each fiscal year, which will reduce general fund revenue by \$20 million in FY28 and beyond.

Comparison to Tax Principles

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy:** Revenue should be adequate to fund needed government services.
- **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity:** Different taxpayers should be treated fairly.
- **Simplicity:** Collection should be simple and easily understood.
- **Accountability:** Preferences should be easy to monitor and evaluate

Potential Questions

- Could this incentive be structured as an appropriation or grant instead of a tax incentive?
- The expenditure cap is increased 10x. Does the project expect more usage or higher costs or a combination of both?
- The FY25 annual report shows a return on investment of 0.26 between FY21-FY25. Is this expected to increase or stay the same with the expansion?