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Tax Expenditure Assessment

Analysis of key state tax credits, exemptions, and deductions by the Legislative Finance Committee

Technology Readiness Credit Against Gross Receipts Tax

Background

Brief Description. The technology readiness credit against GRT encourages the state's two national laboratories to assist businesses in achieving technology maturation by allowing them to receive a credit of up to \$150 thousand per business assisted, up to \$1 million total.

Created: 2020

Expires: July 1, 2027

Impact Analysis Summary

Between FY21 and FY24, New Mexico's national laboratory prime contractors received an annual average of \$476 thousand in state support through the credit. The credit is estimated to have had a negligible impact on statewide employment, increasing by fewer than 10 jobs per year. The credit is estimated to increase state personal income by \$390 thousand, on average, because of higher wage earnings, increased business profits, and increased property income. The estimated net annual impact in state GDP attributable to the program is \$240 thousand. The economic return on investment (ROI) is estimated to be 20 percent, meaning for every \$1 spent on the credit, the New Mexico economy grows by 20 cents. The estimated annual return in revenue is -87 percent, meaning that for every \$1 spent, the state foregoes 87 cents and recaptures 13 cents of state tax revenue.

Economic Impact Analysis Summary

FY24 Expenditure

\$0.09 M

FY24 Claims

2

Economic ROI

20%

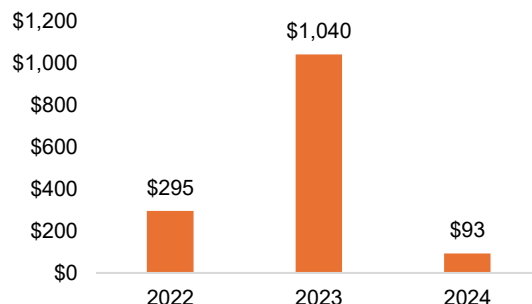
Return in Revenue

-87%

For every \$1 spent, the state economy grows by 20 cents.

For every \$1 spent, the state foregoes 87 cents and recaptures 13 cents in state tax revenue.

Tax Expenditures of Technology Readiness Credit Against GRT (thousands)



Technology Readiness Credit Against GRT Expenditures and Technology Readiness Initiative Program Metrics (dollar amounts in thousands)

Fiscal Year	General Fund Expenditures	Value of Assistance	License	CRADA	Projects
FY24	\$95	\$955	10	7	17
FY23	\$1,040	\$689	11	3	14
FY22	\$295	\$517	12	2	14
FY21	None	\$233			

Sources: TRD; Technology Readiness Initiative

THIS REPORT summarizes key fiscal and economic impact information of state tax expenditures. These brief summaries are prepared on an ongoing basis for policymakers to identify—and request further study of—larger policy issues. The primary sources of information are the New Mexico Tax Expenditure Reports from 2012-2024, accessible on the Taxation and Revenue Department's [website](#), and other state and national economic data. Detailed methodology of this report can be found at the LFC Revenue, Economic Reports, and Tax Policy [website](#).

Credit Overview and Legislative History. The technology readiness credit against GRT, commonly known as TRGR, was created in July 2020 as partnership between the state of New Mexico and the Sandia and Los Alamos national laboratories to help companies leverage laboratory research capabilities. It provides a tax credit equal to the value of free technical services offered to a small business by the national laboratory prime contractors—Triad National Security LLC and National Technology and Engineering Solutions of Sandia, a Honeywell International subsidiary. For each business served, the prime contractors may receive a credit of up to \$150 thousand per business for qualified expenditures, excluding any local option gross receipts tax liability. The credit has an annual cap per national laboratory of \$1 million.











In 2022, an amendment extended the technology readiness gross receipts tax credit from its 2023 expiration date through July, 2027. Additionally, the amendment capped the standard tax credit at \$1 million per national laboratory.

Usage Trends. Usage trends have been variable since inception, with expenditures ranging from \$1 million in FY23 to \$93 thousand in FY24. The laboratories report having assisted 27 businesses with 32 total projects with nearly \$2.4 million in assistance. Of these 27 businesses, 21 companies have licensed technology from one of the two laboratories, and nine have engaged in a Cooperative Research and Development Agreement, or CRADA.

Design Analysis. The credit has both an expiration date and expenditure cap. The credit targets export-based industries. The credit does not target distressed areas. Recipients meet statutory reporting requirements.

Meets Purpose. The credit partially meets its purpose of helping companies leverage laboratory research capabilities. The credit shows potential and features some strong design elements, but usage trends and return on investment are not yet well-established and could benefit from further analysis as the program matures.

Summary

FY24 Tax Expenditure	\$0.09M
FY24 Number of Claims	2
Jobs Created	<10
Economic ROI	20%
Return in Revenue	-87%
Usage Trends	
<i>1-Year Change</i>	-91%
<i>3-Year Average Change</i>	NA
Meets Purpose	
Design Elements	
<i>Has expiration date</i>	
<i>Has expenditure cap</i>	
<i>Targets distressed areas</i>	
<i>Targets export-based industry</i>	
Data Availability <i>Are requirements being met?</i>	
Data Reliability <i>Is data reported separately?</i>	
Key  Yes  Partial  No <small>Note: Criteria based on LFC tax policy principles or other design, purpose, or statutory measures. Data are from New Mexico Tax Expenditure Reports from 2012-2024, accessible on the Taxation and Revenue Department's website, and other state and national economic data. Estimates on annual increase in baseline statewide employment, state GDP, and state revenues were calculated using a New Mexico-specific economic impact model using state and national employment, expenditure, and revenue information. Additional methodology details can be found at the LFC Revenue, Economic Reports, and Tax Policy website.</small>	

Future research opportunities for this tax credit include:

- Comparing the economic impacts to other tax expenditures and forms of spending
- Understanding how this credit impacts different regions of New Mexico
- Understanding the changes in claims and expenditures over time.