Bill Analysis and Fiscal Impact Report
Taxation and Revenue Department

January 26, 2026

Bill:
HB-27

Sponsor:
Representatives Meredith A. Dixon and Joshua N. Hernandez

Short Title:
Technology Jobs R&D Tax Credit (TJRDTC) Expansion

Description:
This bill amends the technology jobs research & development tax credit's (TJRDTC) definition of "qualified expenditure" to include property owned by a municipality or county in connection with an industrial revenue bond (IRB) project as a qualified expenditure.

The bill amends the definition of "qualified facility" to exclude facilities designated as a national laboratory or research facilities owned by the state. Under current law, in addition to the basic TJRDTC, there is an additional credit available to taxpayers conducting research and development (R&D) in rural areas if certain payroll qualifications are achieved. This additional credit is also amended to increase the carry forward from three years to 10 years for those taxpayers whose qualified expenditures exceed $5 million.

This bill also adds a provision that the TJRDTC may be sold, exchanged, or transferred for the full value of the credit.

Effective Date, Applicability, and Contingency Language:
Not specified or 90 days following adjournment (May 20, 2026). Applicable to tax years beginning on or after January 1, 2026.

Taxation and Revenue Department Analyst:
Pedro Clavijo and Lucinda Sydow

Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
(10,000)	(10,000)	(58,850)	(29,425)	(29,425)	R	General Fund

* In thousands of dollars. Parentheses ( ) indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact:
The TJRDTC provides qualifying businesses with a tax incentive to conduct R&D within the state. It offers a basic and additional credit, and if a taxpayer conducts R&D activity in a rural area, the amount of the basic and additional credit for which a taxpayer is otherwise eligible shall be doubled. The basic credit is based on taxpayers conducting qualifying R&D. The additional credit is on top of conducting research if the taxpayer adds $75,000 in-state payroll for every $1 million in qualified expenditures claimed.

By including locally-owned IRB property in the definition of qualified expenditures, capital-intensive R&D projects—many of which depend on IRBs for property tax abatement—would be eligible to claim the TJRDTC, including the 5% basic credit (or 10% rural credit if eligible). This could increase the qualified expenditures claimed for large-scale technology projects. Notable examples of projects that might apply for the TJRDTC include Pacific Fusion's expansion in New Mexico with a new research and manufacturing campus.

The Albuquerque City Council authorized $776.6 million in IRBs for Fusion Center[1] to support the construction of Pacific Fusion's proposed 225,470-square-foot R&D facility. Pacific Fusion plans to create 226 new jobs by the end of 2028, with a total payroll of $35.7 million, resulting in an average annual salary of $158,078. This payroll would require approximately $476 million in qualified expenditures to claim the additional credit. Assuming this project will invest those quantities in qualified expenditures, Tax & Rev estimated a potential fiscal impact for the basic and additional credit.

Without information on the amount this company plans to invest, the fiscal analysis uses projected payroll as a proxy for qualified expenditures to estimate the fiscal impact. The analysis assumes that the credit is granted after the qualified facility conducts qualified research, which is assumed to happen in FY2028. After that, it was assumed that the credit stabilizes at around 50% of the initial peak, as historical time-series data has shown with peak and stabilization after the peaks.

There are companies already operating and for which IRBs have previously been issued, such as Intel in Sandoval County. These other companies may be able to claim property financed through an IRB as a qualified expenditure in connection with their R&D activities. Recently, Sandoval County Commissioners amended an IRB agreement with Intel, aiming to support the ongoing upgrades at the company's Rio Rancho facility.[2] Under the new terms, Intel commits to investing $100 million annually, which Tax & Rev assumes would be qualified expenditures.

There are currently approved credits from prior tax years that have not yet been claimed. Taxpayers are currently carrying them forward under current law to apply to subsequent tax liability. With the transferability of the credit proposed in Section 3 of the bill, coupled with the bill's applicability date in Section 4, Tax & Rev assumes those credits will be transferred and claimed beginning in FY2026.

Policy Issues:
This bill will take New Mexico one step further towards its goal of being the national leader in encouraging these emerging technologies to perform R&D. This is particularly crucial to the rural areas of New Mexico by increasing job opportunities with better pay for New Mexicans. Being a leader in the advancement of these technologies may encourage more of our youth to further their education by becoming experts in advanced technologies. As stated earlier, the costs of building these technology centers are in the hundreds of millions of dollars or more and the expansion of the definition of qualified expenses help lessen the impact of these costs.

There are dynamic effects which will positively impact New Mexico's economy. First, the construction of these facilities will drive significant local economic growth and tax collection. The construction sector boosts production, creates high-wage direct jobs, and stimulates indirect activity, such as manufacturing materials and supporting local retail/hospitality through worker spending. Ultimately, these effects translate into higher GRT and withholding tax. Second, the jobs, goods, and services these facilities create will also have a direct and indirect impact on production and tax collection. The new jobs these projects will create will incentivize consumption and represent a noticeable source of withholding tax for the state. In turn, higher consumption means higher GRT collection and production, and the whole is a virtuous circle that leads to a significant increase in overall economic activity.

The Legislative Finance Committee (LFC) introduced reports in 2025, titled "Tax-E Tax Expenditure Assessment", analyzing the economic impact of certain tax expenditures. In July 2025, they published a

[1] Albuquerque City Council Authorizes $776.6 Million Industrial Revenue Bonds for Fusion Center — City of Albuquerque
[2] https://nm.news/2024/09/02/commission-extends-intel-bond-agreement-for-1-billion/

report on the TJRDTC.[3] Based on the analysis in that report, the changes to the R&D credit are estimated to increase state personal income by $33 million on average due to higher wage earnings, increased business profits, and increased property income. The estimated net annual impact on state Gross Domestic Product attributable to the program is $20.9 million. The economic return on investment (ROI) is estimated at 92%, meaning that for every $1 spent on the credit, the New Mexico economy grows by 92 cents.

By expanding the definition of qualified expenditure to include property owned by a municipality or county through an IRB, the bill allows stacking between state-level tax credits and local-level property tax abatements. A project might avoid property tax via the IRB, avoid gross receipts tax (GRT) and compensating (CMP) on the initial purchase of equipment via the IRB, and claim a 5%(10%) TJRDTC to pay off their remaining tax liabilities, such as employee withholding.

The bill gives companies that locate in New Mexico a strategic advantage, enabling them to structure their finances to offset their tax liability. In the first instance, companies use the savings spent on IRB-owned equipment to generate the basic credit against their GRT, CMP, and withholding tax liability. In a second instance, as the companies move from R&D to commercializing goods and services, they will eventually incur significant income tax liability. The credit may reduce their corporate income tax liability for up to 10 years. During this period, if they generate more credits than tax liability, transferability will allow them to sell their excess credits to other corporations, turning TJRDTC into operating cash to subsidize investments.

While Tax & Rev often has concerns about the proliferation of tax credits in the Tax Code, the use of such incentives to encourage new and developing industries is one situation where the use is warranted. The success of incentives in attracting and developing emerging industries and manufacturing, such as alternative and renewable energy manufacturing and production, is evidence that tax incentives can be an important element in growing new businesses and industries in the state. Given the size of the potential impact the introduction of a sunset date may be warranted. Tax & Rev supports sunset dates for policymakers to review the impact of tax expenditures before extending them.

Technical Issues:
The fiscal impact estimated presumes that data centers will not be eligible for the amended credit. The bill may be amended to make that more explicit.

[Section 2] Page 8, line 15 - The bill proposes extending the carryforward period for the additional credit from three years to 10 years, but it does not make a corresponding change to the carryforward period for the basic credit under Section 7-9F-9(C) NMSA 1978. As written, the basic credit would continue to have a three-year carryforward, while the additional credit would have a 10-year carryforward. This creates an internal inconsistency within the same credit program and may confuse taxpayers, practitioners, and the department. If the intent is to extend the carryforward period for all components of the TJRDTC, then Section 7-9F-9(C) NMSA 1978 should also be amended to reflect 10 years.

[Section 3] Page 8, line 23 – As this credit is pre-existing, it is recommended that a specific issuance period be established for transferability. Without such a limitation, credits issued prior to the applicability date that have not been used or refunded could become transferable and subsequently claimed. This will add administrative complexity and confusion for taxpayers and the department. Tax & Rev suggests adding "certified after January 1, 2026" on line 25 after the word "Act" so that it reads: "Jobs and Research and Development Tax Credit Act certified after January 1, 2026 may be sold . . ."

[3]https://www.nmlegis.gov/Entity/LFC/Documents/Revenue_Reports/Tax_Expenditure_Reports/Tax%20Expenditure%20Assessment%20-%20Tech%20Jobs%20&%20R&D%20Credit%20-%20July%202025.pdf

Current law under Section 7-9F-11 NMSA 1978 provides recapture language for a taxpayer or a successor in the business receiving the credit. The bill proposal does not provide language for recapture language in the event of the transfer of the credit. Tax & Rev proposes that Section7-9F-11 NMSA 1978 be amended to include the following new language under a new Sub-section B as follows:

<u>B. The transfer of a credit does not relieve the taxpayer that earned the credit of liability for recapture. Any agreement between the taxpayer and a transferee regarding repayment or indemnification is a private contractual matter and does not limit the authority of the department to recover the full amount of the recaptured credit from the taxpayer.</u>

[Section 4] Page 9, line 5 – Without an effective date, this bill would become effective May 20, 2026. Tax & Rev needs sufficient time to process credit transfers as the basic credit applies to gross receipts tax, compensating tax, and withholding taxes, which are filed monthly. Tax & Rev recommends an effective date of January 1, 2027.

Tax & Rev suggests revising the applicability date to provide clarity in the law by adding on page 9, line 6 before the period, "and qualified expenditure made after January 1, 2026"

Other Issues:
[Section 3] Page 9, line 4 – To ensure Tax & Rev can efficiently administer and track the transfer of tax credits, Tax & Rev recommends adding the phrase "in a manner prescribed by the department" to the proposed language at the end of this section on page 9, line 4.

Administrative & Compliance Impact:
Tax & Rev will update forms, instructions, and publications and make information system changes that currently exist for this credit.

To allow sufficient time for Tax & Rev to develop a transfer form, update internal procedures, and communicate the new requirements to taxpayers, Tax & Rev recommends an effective date of January 1, 2027 (See Technical Issues).

Implementing this bill will have a low impact on Tax & Rev's Information Technology Division (ITD), requiring approximately 220 hours or about 1.5 months and $15,226 of staff workload costs.

This bill will have a low impact on Tax & Rev's Administrative Services Division (ASD). Estimated time to implement and test for ASD will be 40 hours, split between two existing FTEs, pay-band levels eight and 10. Pay-band level eight hours are estimated at time-and-a-half due to extra hours worked.

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
--	$15.2	--	$15.2	NR	ITD - Staff workload
--	$2.7	--	$2.7	NR	ASD – Staff Workload

* In thousands of dollars. Parentheses ( ) indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Related Bills:
Duplicate of SB-97