

Overview of the Proposed

Technology Readiness Gross Receipts Tax Credit and Program (TRGR)

Background

New Mexico is home to a rich network of technology resources, which include national laboratories, universities and colleges, innovative companies, and entrepreneurs. Increasing the collaboration, capacity and competitiveness of these assets can help to drive growth in New Mexico's economy.

The transfer of technology to the private sector from national labs is a critical piece of the U.S. Department of Energy's mission to contribute to national economic security. Due to the nature of research at New Mexico's national labs, technology transfer is often difficult because the technology developed by the labs is too immature to be used in commercial products without additional investments by companies.

Modeled after the successful New Mexico Small Business Assistance (NMSBA) program and Tax Credit, the Technology Readiness Gross Receipts Tax Credit and program provides New Mexico businesses that license technology from a New Mexico national lab an opportunity to utilize researchers and facilities at the national labs to mature their licensed technology towards commercialization.

Purpose

The purpose of the technology readiness gross receipts tax credit is to:

- Enable collaboration between national labs, research institutions and industry on technology maturation
- Promote the commercialization of licensed technology from a national lab in New Mexico
- Support the development and expansion of technology-based companies in New Mexico
- Increase economic development in New Mexico

Eligibility

- *National Laboratory Eligibility:* to be eligible to receive the technology readiness gross receipts tax credit, tax paying national labs (i.e. Los Alamos and Sandia Labs) must establish a coordinated technology readiness assistance program that will assist New Mexico businesses in advancing licensed technologies towards commercialization.
- *Business Eligibility:* to be eligible for technology readiness assistance a business must (a) be registered to do business in New Mexico, and (b) license a technology from a participating national lab (i.e. Los Alamos or Sandia National Labs).
- *Project Eligibility:* to be considered for technology readiness assistance an eligible New Mexico business must propose a scope of work that advances the technology closer to a commercialization milestone such as market introduction, expanded sales, or customer acquisition. Such work may include prototyping, proof-of-concept, field demonstrations, technical validation, and applied research, testing and development, among other activities.

Program and Project Funding

- *Program Funding:* the proposed tax credit will provide the national labs with a maximum annual aggregate of five million dollars (\$5,000,000) per year.
- *Project Funding:* businesses applying for technology readiness assistance may receive up to two hundred and fifty thousand dollars (\$250,000) of assistance from the national lab (or university contractor) per year.

Application and Selection

Businesses will submit a formal application for technology readiness assistance to the program office at either Los Alamos or Sandia Labs. Applications will be reviewed by a team of internal experts at the two Labs, as well as external experts representing the market and investment community. Applications will be evaluated based on technical merit, commercial viability, and potential economic impact.

Evaluation

Program impact will be evaluated by a third party and reported annually to the Tax and Revenue Department, the Economic Development Department and appropriate legislative interim committees.

Frequently Asked Questions

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Are there existing technology readiness funding programs in other states which may serve as models?

- Yes. While it should be noted that the NMSBA model (i.e. state tax credit to enable national lab work with private sector companies) is fairly unique, we examined gap funding programs across the country and identified 39 relevant programs in 25 states.

Who actually receives the technology readiness gross receipts tax credit?

- The national labs receive the technology readiness gross receipts tax credit, not to exceed \$5 million, or \$2.5 million per laboratory, per year
- NM businesses receive technology readiness assistance from the national labs (or contracted universities) worth up to \$250,000.

What is the role of NM universities in this program?

- New Mexico universities may contract with the national labs to provide technology readiness services to NM businesses that have licensed a technology from the national labs.

Are businesses required to provide a cost-share or matching funds to receive technology readiness assistance?

- The technology license from a national laboratory serves as a cost-sharing mechanism

Can a business utilize both the technology readiness program and the New Mexico Small Business Assistance (NMSBA) program?

- A small business cannot utilize both the technology readiness program and the NMSBA program in the same taxable year, but they are eligible to access assistance from both programs in separate taxable years.

Is the technology readiness assistance limited to small businesses?

- No. Any company registered to do business in New Mexico is eligible to apply for technology readiness assistance.

How will we know if the program is successful?

- Program impact will be evaluated by a third party and reported annually to the NM Economic Development Department, the NM Tax and Revenue Department, and appropriate NM legislative interim committees.
- The annual report will include:
 - A summary of program results;
 - A description of projects that received technology readiness assistance;
 - Results of surveys of businesses to which technology readiness is provided;
 - The total amount of the technology readiness gross receipts tax credits claimed for the year; and
 - An economic impact study of jobs created, jobs retained, cost savings, and increased sales generated by the businesses for which technology readiness assistance is provided.

Why is the tax credit scheduled to expire in 2028?

The ten-year sunset clause is included to give the legislature an opportunity to review the cost and benefits of the technology readiness assistance program and decide if tax credit should be renewed.