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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 82

SHORT TITLE: Extend Technology Readiness GRT Credit

SPONSOR: Sanchez

LAST UPDATE:

ORIGINAL DATE: 1/28/2026 **ANALYST:** Gray

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
GRT	$0	**($2,000.0)**	**($6,000.0)**	**($8,000.0)**	**($10,000.0)**	Recurring	General Fund

Parentheses indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
Economic Development Department

Agency or Agencies That Were Asked for Analysis but did not Respond
Taxation and Revenue Department

SUMMARY

Synopsis of House Bill 82

House Bill 82 (HB82) extends the sunset of the technology readiness GRT credit from FY28 to FY36 and increases the expenditure cap. 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. A national lab may receive up to $150 thousand per business for qualified expenditures.

The expenditure cap per national lab is increased from $1 million to:
- $2 million in FY27
- $3 million in FY28
- $4 million in FY29
- $5 million in FY30 and onwards

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

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 $2 million in FY27, $6 million in FY28, $8 million in FY29, and $10 million in FY30.

LFC has serious concerns about the substantial risk to state revenues from tax expenditures and the increase in revenue volatility from erosion of the revenue base. The committee recommends the bill adhere to the LFC tax expenditure policy principles for vetting, targeting, and reporting or action be postponed until the implications can be more fully studied.

SIGNIFICANT 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.

Some of this technical assistance would have occurred without the credit. For example, in 2005, Congress created the Technology Commercialization Fund (TCF), which supports partnerships between DOE facilities and industry, universities, and other organizations to advance technologies with strong market potential. According to lab reports, the laboratories were engaged in TCF projects as early as 2015, meaning the technology readiness GRT credit is subsidizing at least some activity that would have occurred otherwise.

However, 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.

The Economic Development Department (EDD) notes the credit "is a unique mechanism to support technology business advancement and has demonstrated numerous distinct successes." The agency comments that the credit is of great importance for business recruitment and retention.

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

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 2025, 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 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 forgoes 87 cents and recaptures 13 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 and methodology can be accessed online.

OTHER SUBSTANTIVE ISSUES

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

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✗	No record of an interim committee hearing can be found.
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	 ✓ ✓ ✗	The expenditure has a purpose and goals but lacks measurable targets.
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	The credit must be reported publicly in the TER. The credit has an expiration date.
Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	 ✓ ✓	
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure. Fulfills stated purpose Passes "but for" test	 ? ?	At least some tech transfer activity would have occurred without the credit.
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✓ Met ✗ Not Met ? Unclear		

BG/rl/cf