FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 36
SHORT TITLE: Quantum Facility Infrastructure Tax Credit

SPONSOR: Padilla
LAST UPDATE: **ORIGINAL DATE:** 1/23/2026 **ANALYST:** Gray/Faubion

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
CIT/PIT	$0.0	($50,000.0)	($50,000.0)	($50,000.0)	($50,000.0)	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 Senate Bill 36

Senate Bill 36 (SB36) provides a refundable tax credit for businesses investing in quantum facilities and quantum equipment. Under the bill, businesses that spend at least $3 million in land, rent, construction, infrastructure, and equipment related to quantum technology research and development receive a subsidy equal to 30 percent of the eligible expenditures. The credit is capped at $50 million per year. The credit sunsets January 1, 2030.

To qualify, taxpayers must obtain preliminary certification from the Economic Development Department (EDD) before making expenditures and apply for final certification within one year after construction.

The provisions of the bill apply to tax years beginning 2026.

FISCAL IMPLICATIONS

This bill creates a tax expenditure with a cost that is difficult to determine but likely significant. 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.

SB36 is expected to reduce recurring general fund revenues by $50 million beginning in FY27. This analysis assumes taxpayers take advantage of the credit and reach the annual aggregate cap.

Because the credit can be claimed in large tranches shortly after final certification, companies may utilize the full credit in a concentrated manner rather than spreading it out over several years. This clustering of claims could lead to significant, unanticipated reductions in tax revenue in particular fiscal years, making it challenging for the state to forecast and maintain a balanced budget. At the writing of this report, one new quantum company has announced investment in New Mexico. The fiscal impact assumes one facility claims the maximum credit each year until the credit is exhausted. Actual fiscal impacts can vary depending on the size and timing of claims.

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 that otherwise would not have chosen to relocate, expand, or continue business in New Mexico. Cost-effective approaches support only those businesses that would not have engaged in a business activity but for an intervention or investment. Discretionary, competitive awards may be more effective because economic development practitioners can use professional judgment to determine whether an award will tip a business location decision. In contrast, eligible taxpayers are entitled to tax incentives by law, which may limit the economic development practitioners' ability to make targeted investments.

Policymakers may wish to consider whether the subsidy provided by SB36 passes the "but for" test, which asks if the desired outcome would have happened *but for* the subsidy. If a business location decision would have occurred without the subsidy, the credit would not be an effective use of state resources.

New Mexico's existing assets—such as two national laboratories, research universities, and federal funding opportunities—may already make it an attractive location for quantum investment. If companies are likely to invest due to these factors alone, the credit may not be the decisive factor in their decision-making.

Several already-announced quantum investments and commitments may benefit from the bill and could represent a significant share of the costs.

[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.

- According to news reports, at least one quantum company already has plans to begin operations in New Mexico.
- In August, EDD announced a $25 million partnership with Roadrunner Venture Studios to establish and operate a quantum venture studio campus in downtown Albuquerque, according to a press release.
- In September, New Mexico and the Defense Advanced Research Projects Agency (DARPA) entered into an agreement designed to "accelerate the development, testing, and validation of emerging quantum technologies," according to a press release.

Concerns over the effectiveness of tax incentives is particularly relevant to the proposed quantum facility infrastructure income tax credits in New Mexico. These credits could attract new investment, which may be the goal of the credit legislation although no intent is provided. Because the credit is refundable, businesses may be more inclined to invest, knowing they will receive a direct financial benefit even if they lack sufficient tax liability. EDD asserts the addition of the credit "could be a decisive factor for quantum companies in choosing where to locate and build."

However, tax incentives are often not the deciding factor in whether a company establishes operations in a given location. Workforce availability, infrastructure, and proximity to research institutions often weigh more heavily in decision-making. Furthermore, if companies take advantage of the tax credit without making a long-term commitment to the region, New Mexico could see minimal lasting economic benefits.

Ultimately, the success of these tax credits will depend on whether they lead to sustainable industry growth beyond the incentive period and whether the state can effectively pair them with other economic development strategies, such as workforce training programs and research partnerships with universities.

In previous analysis on a similar bill (SB211, 2025 session), EDD noted the state is optimally positioned to capitalize on the quantum industry's growth due to the presence of two national laboratories with world renowned specialization in quantum technologies, as well as the University of New Mexico's premier quantum physics program and the state's overall appetite for innovation and economic development in science and technology.

Finally, the state has made significant investments in the quantum industry. In 2025, the Legislature appropriated nearly $36 million for quantum initiatives. In the Legislative Finance Committee's recommendation for the 2026 General Appropriation Act, the committee included $16.4 million toward the DARPA quantum initiative, $40 million for statewide research and development, including quantum activities, and $11.6 million for statewide investments in science and technology sectors, including quantum activities.

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	✗	There are no stated purposes, goals, or 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.
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	✓	The credit does have an 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	? ✗	There are no stated purposes, goals, or targets with which to measure effectiveness or efficiency.
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	✗	
Key: ✓ Met ✗ Not Met ? Unclear		

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