

**BILL ANALYSIS AND FISCAL IMPACT REPORT**  
**Taxation and Revenue Department**

**February 4, 2025**

**Bill:** SB-212

**Sponsor:** Senators Michael Padilla and William P. Soules, and  
Representatives Joshua N. Hernandez and Meredith A. Dixon

**Short Title:** Quantum Testing & Evaluation GRT Credit

**Description:** This bill creates the quantum testing and evaluation gross receipts tax (GRT) credit, which may be claimed by a taxpayer that is a national laboratory that, pursuant to a memorandum of agreement with a federal quantum agency, receives federal matching funds to provide quantum testing and evaluation services. The credit may be claimed against a taxpayer’s state gross receipts tax liability (i.e., excluding local option gross receipts tax). The amount of a credit shall equal the amount that the taxpayer receives in federal matching funds for quantum testing and evaluation or the fabrication of quantum devices, up to a total annual aggregate amount of \$15 million in a calendar year. A taxpayer shall apply for certification of eligibility for the tax credit from the Economic Development Department (EDD). The total aggregate amount of tax credits that may be certified over the life of the credit, up until July 1, 2035, shall not exceed \$60 million. The portion of credit that exceeds a taxpayer’s tax liability in the taxable period in which the credit is claimed may be carried forward for 60 consecutive taxable periods.

**Effective Date:** Not specified; 90 days following adjournment (June 20, 2025). Applicable to taxable periods beginning on or after July 1, 2025. Section 1 is repealed effective July 1, 2035.

**Taxation and Revenue Department Analyst:** Pedro Clavijo

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	(up to \$15,000)	(up to \$15,000)	(up to \$15,000)	(up to \$15,000)	R	General Fund

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

**Methodology for Estimated Revenue Impact:** A maximum of \$15 million may be issued for this state GRT credit each calendar year up until July 1, 2035, as New Mexico’s two national laboratories advance the quantum hardware supply chain and develop quantum infrastructure. As announced publicly, Quantinum, a quantum computing company, has selected New Mexico for a new site anticipated to open later in 2025.<sup>1</sup> Quantinum has noted its collaborative work with national laboratories, including Sandia National Laboratory and Los Alamos National Laboratories. Because the bill imposes a cap of \$60 million on the total aggregate amount of tax credit that can be certified through the July 1, 2035 duration of the credit, the credit may be exhausted as early as the first four years assuming matching federal funds for quantum-related testing and evaluation are received by New Mexico’s national laboratories. Depending on the timing of receiving federal matching funds, the revenue impact could be delayed through more of the 10-year span. The potential favorable tax revenue dynamic effects of implementing this technology in the state on GRT and other tax programs are not contemplated here (see Policy Issues).

**Policy Issues:** The proposed tax credits will help catalyze New Mexico’s leadership in quantum information technologies. The bill is a companion to the federal joint award in July 2024 to New Mexico

<sup>1</sup> [Quantinum Announces Plans to Build a New Quantum R&D Center in New Mexico, Anchoring the State’s Quantum Technology Revolution](#)

and Colorado, of \$41 million from the federal Economic Development Administration to advance the region's quantum information technology sector as one of 12 tech hubs selected nationally. Towards this effort, Colorado has committed \$74 million, and New Mexico has committed \$10 million. The federal award is part of the larger Tech Hubs Program to strengthen U.S. economic and national security by investing in key technologies and industries, including quantum information technology. The Tech Hubs are regionally selected to leverage University Research, National Laboratories', State Laboratories', and commercial enterprises' expertise to reach collaborative approaches to implementing advanced technology and industry. The Tech Hubs Program was enacted as part of the CHIPS and Science Act of 2022 (as the Regional Technology and Innovation Hubs program).<sup>2</sup>

This state GRT credit is intended to reduce the cost of quantum testing and evaluation services in New Mexico. The federal grant highlights New Mexico's potential to become a global powerhouse in quantum technology to leverage the state's unique combination of academic, research, and industry assets to create transformative economic growth and ensure national security. These tax benefits aim to foster a sustainable quantum technology ecosystem that can benefit national security, economic development, and technological leadership.

Quantum technologies have the potential to revolutionize many sectors by offering capabilities far beyond those possible with classical technologies. For New Mexico, some key sectors where quantum technologies can be applied include Finance and Risk Analysis, Healthcare and Drug Discovery, Materials Science, Telecommunications, Energy and Environment, Manufacturing and Industry, among others.

With its potential in science and technology, New Mexico could benefit significantly from the development and adoption of quantum technologies. The state could leverage its position in:

**1. Economic Growth and Job Creation:**

- **Tech Industry Growth:** As quantum technology develops, New Mexico could become a hub for quantum computing and related industries. By investing in quantum startups, research institutions, and collaborations with tech companies, New Mexico can create high-tech jobs, attract talent, and build a sustainable quantum ecosystem.
- **Skilled Workforce Development:** By offering educational programs in quantum computing, physics, and engineering, New Mexico could foster a pipeline of skilled workers. Universities like the University of New Mexico, New Mexico Tech, and New Mexico State University could develop specialized quantum science programs, preparing students for careers in quantum-related fields.

**2. Research and Innovation:**

- **National Laboratories:** New Mexico is home to Sandia National Laboratory and Los Alamos National Laboratories, which already play a key role in cutting-edge research. These labs could further contribute to advancements in quantum technologies, particularly in areas like quantum computing, cryptography, and quantum sensors.
- **Collaborations with Industry:** Partnering with private tech companies and research institutions, New Mexico could attract quantum startups and companies to establish facilities in the state. This could lead to breakthroughs in quantum research and attract funding and expertise to the area.

**3. Government and Defense Applications:**

- **National Security:** Being home to Los Alamos and Sandia, New Mexico is well-positioned to benefit from defense-related quantum innovations. Quantum sensors, cryptography, and communication technologies could strengthen national security and defense systems.

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<sup>2</sup> [Regional Technology and Innovation Hubs \(Tech Hubs\) | U.S. Economic Development Administration](#)

- Smart Infrastructure: New Mexico could implement quantum technologies in areas like cybersecurity and smart grids, increasing the resilience of its infrastructure and data systems.
- 4. Healthcare and Agriculture:**
- Quantum Healthcare Advancements: With quantum's potential to revolutionize drug discovery and medical diagnostics, New Mexico could support research into quantum-enhanced healthcare technologies. This could lead to innovations in personalized medicine, diagnostics, and treatment options.
  - Agricultural Optimization: Quantum technologies could improve agricultural practices in New Mexico, such as optimizing water usage, enhancing crop resilience, and streamlining supply chains.
- 5. Quantum Enhanced Environmental Research:**
- Climate and Environmental Modeling: Quantum computing can aid in more accurate environmental and climate modeling, which would be valuable for New Mexico, especially considering its vulnerability to climate change impacts like droughts. Quantum technologies could also help research sustainable energy solutions, aiding the state's shift toward renewable energy.
  - Quantum Sensors for Environmental Monitoring: Quantum sensors could help monitor natural resources like water and air quality more precisely, aiding conservation efforts and environmental protection in the state.
- 6. Energy Sector Transformation:**
- Renewable Energy: New Mexico already invests in renewable energy (particularly solar power). Quantum technologies could improve the efficiency of energy storage systems, optimize energy grids, and enhance the development of advanced materials for solar cells and batteries.
  - Energy Efficiency in Industry: Quantum computing could help industries in New Mexico optimize their energy consumption, reducing costs and improving sustainability in manufacturing, mining, and other resource-intensive sectors.
- 7. Tourism and Public Engagement:**
- Science Tourism: With New Mexico's strong ties to science (places like the Very Large Array and the National Radio Astronomy Observatory), adding quantum research to the state's narrative could attract science-minded tourists and students. Events, conferences, and collaborations could enhance the state's reputation as a leader in scientific advancement.
- 8. Attracting Investment:**
- Public-Private Partnerships: By positioning itself as a state that embraces the potential of quantum technology, New Mexico can attract investments from tech companies, venture capitalists, and government agencies. This can create collaboration, funding, and business development opportunities in quantum-related industries.
  - Building a Quantum Ecosystem: By building partnerships between local universities, national labs, and the private sector, New Mexico could foster a thriving quantum ecosystem, supporting both research and commercialization of quantum technologies.
- 9. Public Policy and Advocacy:**
- State-Level Support: New Mexico could take a proactive role in establishing state-level policies that encourage quantum research and development, offering incentives for businesses to invest in quantum-related projects or establishing quantum innovation centers.

New Mexico's unique combination of scientific institutions, a growing tech sector, and an energy-driven economy positions it well to harness the potential of quantum technologies. By focusing on education, research, and strategic partnerships, the state can drive innovation, create high-quality jobs, and position itself as a leader in this emerging field.

While Tax & Rev often has concerns about the proliferation of tax credits and deductions in the Tax Code, the use of such incentives to encourage new and developing industries is one situation where their

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. Furthermore, the credits contained in the bill are of limited duration and so are designed to support the growth of the industry in New Mexico.

**Technical Issues:** Subsection C, page 2, on line 11, limits the amount of the credit “claimed in a calendar year”. As the effective date is July 1, 2025, and the duration is 10 years, ending on July 1, 2035, Tax & Rev suggests changing “calendar” year to “fiscal” year. This will also aid in forecasting General Fund Revenue by fiscal year.

Subsection E, page 3, lines 4 and 5, requires the taxpayer to claim the credit “within one year” of receiving federal matching funds. Tax & Rev suggests the “within one year” be tied to the certification from EDD in Subsection D. Tax & Rev suggests striking the language starting on page 3, line 5 “of the end of the year in which the taxpayer receives federal matching funds for quantum testing and evaluation or the fabrication of quantum devices.” And replacing it with “of receiving final certification from the economic development department.”

**Other Issues:** Tax & Rev notes that in subsection C, page 2 the amount of the credit is “equal [to] the amount the taxpayer receives in federal matching fund,” while in subsection G, page 3, the term used is “qualified expenditures.” These definitions may need further clarification and definition for EDD to certify the taxpayer’s project for eligibility and ensure coordination between national laboratories.

**Administrative & Compliance Impact:** Tax & Rev will make information system changes and update forms, instructions, and publications. Tax & Rev’s Administrative Services Division (ASD) estimates that implementing the bill will require the existing two FTEs to work 40 hours, split between pay-band 70 and 80 positions. Implementing this bill will have a moderate impact on Tax & Rev’s Information Technology Division (ITD), approximately 680 hours or about 4 months, for an estimated staff workload cost of \$45,315.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2025	FY2026	FY2027	3 Year Total Cost		
--	\$2.5	--	\$2.5	NR	Tax & Rev’s ASD - Operating
\$45.3	--	--	\$45.3	NR	Tax & Rev’s ITD - Staff workload costs

\* In thousands of dollars. Parentheses ( ) indicate a cost saving. \*\* Recurring (R) or Non-Recurring (NR).