

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

February 6, 2025

Bill: SB-211

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

Short Title: Quantum Facility Infrastructure Tax Credit

Description: This bill adds new sections to the Income Tax Act and Corporate Income and Franchise Tax Act to create the quantum facility infrastructure income tax credit and corporate income tax credit. The credits are for a taxpayer who makes at least \$3 million dollars in qualified expenditures for infrastructure for a quantum facility located in New Mexico. The credit is 30% of the amount of qualified expenditures made by the taxpayer and may not exceed \$50 million per quantum facility. Any amount of the credit that exceeds the taxpayer’s income tax or corporate income tax liability will be refunded to the taxpayer. Prior to incurring the expenditure, the taxpayer must apply for preliminary certification from the Economic Development Department (EDD). Within 12 months of completion of construction of a quantum facility, the taxpayer must seek final certification from EDD. The total aggregate amount of income tax credits and corporate income tax credits that may be certified is not to exceed \$75 million but will be increased to \$150 million in a calendar year that the state is awarded a United States National Science Foundation Regional Innovation Engines Award for Quantum Technologies. The credit is for tax years ending prior to January 1, 2035.

Effective Date: Not specified; 90 days following adjournment (June 20, 2025). Applicable to taxable years beginning on or after January 1, 2025. Sections 1 and 2 are repealed effective January 1, 2036.

Taxation and Revenue Department Analyst: Sara Grubbs

| Estimated Revenue Impact* | | | | | R or NR** | Fund(s) Affected |
|---------------------------|--------|------------------|---------------|---------------|-----------|------------------|
| FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | | |
| -- | -- | (Up to \$50,000) | See narrative | See narrative | R | General Fund |

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

Methodology for Estimated Revenue Impact: Publicly available press releases indicate one facility may qualify for this credit in the near term. In January 2025, Quantinuum, a quantum computing company that has collaborated with national laboratories, including Sandia National Laboratory and Los Alamos National Laboratories, announced plans to build a new quantum research and development center in New Mexico. According to Quantinuum press releases, Quantinuum is expected to open this by the end of 2025¹.

This bill specifies that prior to incurring a qualified expenditure, a taxpayer must apply for preliminary certification of eligibility from EDD. The Taxation and Revenue Department (Tax & Rev) assumes that qualified expenditures will occur after the applicability date of January 1, 2025. All construction projects have numerous inputs and complexity; given the size of this project, Tax & Rev assumes that the qualified expenditures will continue into 2026 at which point the taxpayer then has 12 months after completion to receive final certification from EDD. Tax & Rev assumes one taxpayer will seek and

¹ <https://www.quantinuum.com/press-releases/quantinuum-announces-plans-to-build-a-new-quantum-r-d-center-in-new-mexico-anchoring-the-states-quantum-technology-revolution>

receive final certification from EDD in calendar year 2026 to be claimed in FY2027. As no cost estimates have been released by Quantinuum, Tax & Rev assumes the maximum credit amount per quantum facility of \$50 million may be claimed.

Tax & Rev cannot determine how many taxpayers will claim this credit. Some projects can take multiple years to complete. In 2024, The U.S. National Science Foundation announced a \$20 million grant to the University of Colorado for the construction of a quantum facility. It is estimated that this facility will take approximately 5 years to complete². Given the high cost of quantum computing, the specialized expertise required for this industry, and the variability in construction timelines, Tax & Rev assumes that there will be one quantum facility constructed and completed, and therefore one claim during the estimated revenue impact time frame of FY2026 to FY2029. While Tax & Rev has indicated the revenue impact in FY27 Tax & Rev recognizes the uncertainty around the growth in quantum computing investments and this impact could shift further out into the forecast outlook.

Tax & Rev also cannot determine if New Mexico will be awarded a United States National Science Foundation Regional Innovation Engines Award for Quantum Technologies. In late 2024, the New Mexico Quantum Moonshot, a partnership between the labs, universities, and the private sector, was selected as a finalist in the National Science Foundation's Regional Innovation Engines program³. If this partnership receives this award, it may trigger the increase in the aggregate cap and incentivize quantum computing investment.

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 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).⁴

These tax credits are intended to reduce the cost of building a quantum facility 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.

² <https://www.colorado.edu/today/2024/06/20/cu-boulder-wins-20m-lead-national-quantum-nanofab-facility>

³ <https://www.elevatequantum.org/new-mexicos-quantum-moonshot-selected-as-finalist-for-nsfs-regional-innovation-engines-program-paving-the-way-for-quantum-leadership-and-economic-transformation/>

⁴ [Regional Technology and Innovation Hubs \(Tech Hubs\) | U.S. Economic Development Administration](#)

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.
- **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.

Personal income tax (PIT) represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 25 percent of the state's recurring general fund revenue. While this revenue source is susceptible to economic downturns, it is also positively responsive to economic expansions. New Mexico is one of 41 states, along with the District of Columbia, that impose a broad-based PIT (New Hampshire and Washington do not tax wage and salary income). Like several states, New Mexico computes its income tax based on the federal definition of taxable income and ties to other states in the federal tax code. This is referred to as "conformity" to the federal tax code. The PIT is an important tax policy tool that has the potential to further both horizontal equity 'by ensuring the same statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers' ability to pay. By basing the credit on an industry, taxpayers in similar economic circumstances are no longer treated equally.

Corporate income tax (CIT) is a volatile source of revenue for many states. Providing additional corporate tax incentives increases volatility. Similar to PIT, for corporate tax filers, a tax credit can erode horizontal equity by basing this credit on an industry, thus corporate taxpayers in similar economic standing are no longer treated equally.

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 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: None.

Other Issues: None.

Administrative & Compliance Impact: Tax and Rev will update forms, instructions and publications and make information system changes. Staff training to administer the credit will occur. This implementation will be included in the annual tax year changes.

Tax & Rev’s Administrative Services Division (ASD) will test credit sourcing and perform other systems testing. New revenue and financial reports will be created and tested. It is anticipated this work will take approximately 40 hours split between 2 FTE of a pay band 70 and a pay band 80 at a cost of approximately \$5,100. Pay band 70 hours are estimated at time and ½ due to extra hours worked required for implementation.

Implementing this bill will have a moderate impact on Tax & Rev’s Information Technology Division (ITD), requiring approximately 680 hours of work or about 4 months and \$45,310 of staff workload costs. The estimate assumes an electronic data exchange between Tax & Rev and EDD.

| Estimated Additional Operating Budget Impact* | | | | R or NR** | Fund(s) or Agency Affected |
|---|--------|--------|-------------------|-----------|----------------------------------|
| FY2025 | FY2026 | FY2027 | 3 Year Total Cost | | |
| -- | \$5.1 | -- | \$5.1 | NR | Tax & Rev – ASD – Operating |
| -- | \$42.6 | -- | \$42.6 | NR | Tax & Rev – ITD – Staff workload |

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

Related Bills: Related to SB-212 (2025 regular session)