

**Second Regular Session  
Seventy-third General Assembly  
STATE OF COLORADO**

**PREAMENDED**

*This Unofficial Version Includes Committee  
Amendments Not Yet Adopted on Second Reading*

LLS NO. 22-0675.01 Nicole Myers x4326

**SENATE BILL 22-051**

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**SENATE SPONSORSHIP**

**Hansen,**

**HOUSE SPONSORSHIP**

**(None),**

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**Senate Committees**

Transportation & Energy  
Finance

**House Committees**

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**A BILL FOR AN ACT**

101 **CONCERNING POLICIES TO REDUCE EMISSIONS FROM THE BUILT**  
102 **ENVIRONMENT.**

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**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)*

The bill specifies that air-source and ground-source heat pump systems are household furnishings exempt from the levy and collection of property tax. The bill exempts air-source and ground-source heat pump systems from the definition of "fixtures" for property tax purposes.

Beginning July 1, 2024, the bill exempts from state sales and use tax all sales, storage, and use of eligible decarbonizing building materials.

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
Capital letters or bold & italic numbers indicate new material to be added to existing statute.  
Dashes through the words indicate deletions from existing statute.

"Eligible decarbonizing building materials" are defined as building materials that have a maximum acceptable global warming potential as determined by the office of the state architect.

In addition, beginning January 1, 2023, the bill exempts from state sales and use tax all sales, storage, and use of air-source and ground-source heat pump systems that are used in commercial or residential buildings.

The bill specifies that a statutory town, city, or county may exempt the same items only by express inclusion of the exemption in its initial sales tax ordinance or resolution or by amendment thereto.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2                      **SECTION 1.** In Colorado Revised Statutes, **add**  
3 39-22-543 and 39-22-544 as follows:

4 **39-22-543. Credit against tax - air-source and ground-source**  
5 **heat pump systems - heat pump water heaters - tax preference**  
6 **performance statement - legislative declaration - definitions - repeal.**

7 (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT:

8 (I) THE GENERAL ASSEMBLY HAS COMMITTED TO REDUCE  
9 GREENHOUSE GASES THROUGH NUMEROUS POLICY AND REGULATORY  
10 MEASURES TO MEET THE GOALS ESTABLISHED IN 2019;

11 (II) GREAT QUANTITIES OF EMISSIONS ARE RELEASED IN THE  
12 TRADITIONAL PROCESS OF HEATING AND COOLING PRIVATE SECTOR  
13 RESIDENTIAL BUILDINGS;

14 (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND  
15 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS  
16 GENERATED IN THE HEATING AND COOLING OF RESIDENTIAL BUILDINGS BY  
17 INSTALLING AIR-SOURCE AND GROUND-SOURCE HEAT PUMP SYSTEMS OR  
18 HEAT PUMP WATER HEATERS, WHICH REDUCE NET GREENHOUSE GAS  
19 EMISSIONS;

20 (IV) PROVIDING AN INCOME TAX CREDIT FOR AIR-SOURCE AND

1 GROUND-SOURCE HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS  
2 WILL ENCOURAGE BUSINESSES AND INDIVIDUALS TO PURCHASE AND USE  
3 THOSE HEAT PUMP SYSTEMS RATHER THAN TRADITIONAL HEATING AND  
4 COOLING METHODS; AND

5 (V) THE PURCHASE AND USE OF AIR-SOURCE AND GROUND-SOURCE  
6 HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS WILL BENEFIT  
7 PUBLIC HEALTH IN THE HEATING AND COOLING OF HOMES AND BUSINESSES,  
8 TAKE ADVANTAGE OF EXCESS RENEWABLE ENERGY POWER GENERATION  
9 DURING PEAK TIMES, AND MAKE USE OF READILY AVAILABLE EXCESS  
10 HEAT.

11 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH  
12 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE  
13 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY  
14 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND  
15 DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN  
16 SUBSECTION (3) OF THIS SECTION ARE TO:

17 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,  
18 SPECIFICALLY THE PURCHASE AND USE OF AIR-SOURCE AND  
19 GROUND-SOURCE HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS;  
20 AND

21 (II) CONTRIBUTE TO THE STATE'S EFFORT TO ACHIEVE ITS CLIMATE  
22 GOALS.

23 (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL  
24 MEASURE THE EFFECTIVENESS OF THE TAX CREDITS IN ACHIEVING THE  
25 PURPOSES SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE  
26 NUMBER OF AIR-SOURCE AND GROUND-SOURCE HEAT PUMP SYSTEMS AND  
27 THE NUMBER OF HEAT PUMP WATER HEATERS SOLD AND USED IN THE

1 STATE. THE COLORADO ENERGY OFFICE SHALL PROVIDE THE STATE  
2 AUDITOR WITH ANY AVAILABLE INFORMATION THAT WOULD ASSIST THE  
3 STATE AUDITOR'S MEASUREMENT.

4 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
5 REQUIRES:

6 (a) "AIR-SOURCE HEAT PUMP SYSTEM" HAS THE SAME MEANING  
7 SET FORTH IN SECTION 39-26-731 (2)(a).

8 (b) "GROUND-SOURCE HEAT PUMP SYSTEM" HAS THE SAME  
9 MEANING SET FORTH IN SECTION 39-26-731 (2)(b).

10 (c) "HEAT PUMP WATER HEATER" HAS THE SAME MEANING SET  
11 FORTH IN SECTION 39-26-731 (2)(c).

12 (3) (a) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY  
13 1, 2023, BUT BEFORE JANUARY 1, 2033, ANY TAXPAYER THAT INSTALLS A  
14 RESIDENTIAL OR COMMERCIAL AIR-SOURCE HEAT PUMP OR A  
15 GROUND-SOURCE HEAT PUMP IS ALLOWED A CREDIT AGAINST THE TAX  
16 IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT EQUAL TO TEN PERCENT OF  
17 THE PURCHASE PRICE OF THE AIR-SOURCE HEAT PUMP OR GROUND-SOURCE  
18 HEAT PUMP.

19 (b) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1,  
20 2023, BUT BEFORE JANUARY 1, 2033, ANY TAXPAYER THAT INSTALLS A  
21 RESIDENTIAL OR COMMERCIAL HEAT PUMP WATER HEATER IS ALLOWED A  
22 CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT  
23 EQUAL TO TEN PERCENT OF THE PURCHASE PRICE OF THE HEAT PUMP  
24 WATER HEATER.

25 (4) THE AMOUNT OF ANY CREDIT ALLOWED UNDER THIS SECTION  
26 THAT EXCEEDS THE TAXPAYER'S INCOME TAXES DUE IS REFUNDED TO THE  
27 TAXPAYER.

1           (5) TO BE ELIGIBLE TO CLAIM A TAX CREDIT PURSUANT TO THIS  
2 SECTION, A TAXPAYER IS REQUIRED TO SUBMIT EVIDENCE OF THE  
3 PURCHASE PRICE OF THE AIR-SOURCE OR GROUND-SOURCE HEAT PUMP OR  
4 HEAT PUMP WATER HEATER, AS APPLICABLE, TO THE DEPARTMENT OF  
5 REVENUE IN A FORM AND MANNER TO BE DETERMINED BY THE  
6 DEPARTMENT.

7           (6) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2035.

8           **39-22-544. Credit against tax - residential energy storage**  
9 **systems - tax preference performance statement - legislative**  
10 **declaration - definition - repeal.** (1) (a) IN ACCORDANCE WITH SECTION  
11 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX  
12 EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT  
13 AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL  
14 ASSEMBLY HEREBY FINDS AND DECLARES THAT THE PURPOSES OF THE TAX  
15 EXPENDITURE CREATED IN SUBSECTION (3) OF THIS SECTION ARE TO:

16           (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,  
17 SPECIFICALLY THE PURCHASE AND INSTALLATION OF RESIDENTIAL ENERGY  
18 STORAGE SYSTEMS; AND

19           (II) CONTRIBUTE TO THE STATE'S EFFORT TO ACHIEVE ITS CLIMATE  
20 GOALS.

21           (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL  
22 MEASURE THE EFFECTIVENESS OF THE TAX CREDITS IN ACHIEVING THE  
23 PURPOSES SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE  
24 NUMBER OF RESIDENTIAL ENERGY STORAGE SYSTEMS INSTALLED IN THE  
25 STATE. THE COLORADO ENERGY OFFICE SHALL PROVIDE THE STATE  
26 AUDITOR WITH ANY AVAILABLE INFORMATION THAT WOULD ASSIST THE  
27 STATE AUDITOR'S MEASUREMENT.

1           (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
2           REQUIRES, "ENERGY STORAGE SYSTEM" MEANS ANY COMMERCIALY  
3           AVAILABLE, CUSTOMER-SITED SYSTEM, INCLUDING BATTERIES AND THE  
4           BATTERIES PAIRED WITH ON-SITE GENERATION, THAT IS CAPABLE OF  
5           RETAINING, STORING, AND DELIVERING ENERGY BY CHEMICAL, THERMAL,  
6           MECHANICAL, OR OTHER MEANS.

7           (3) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1,  
8           2023, BUT BEFORE JANUARY 1, 2033, ANY TAXPAYER THAT INSTALLS AN  
9           ENERGY STORAGE SYSTEM IN A RESIDENTIAL DWELLING IS ALLOWED A  
10           CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT  
11           EQUAL TO TEN PERCENT OF THE PURCHASE PRICE OF THE ENERGY STORAGE  
12           SYSTEM.

13           (4) THE AMOUNT OF ANY CREDIT ALLOWED UNDER THIS SECTION  
14           THAT EXCEEDS THE TAXPAYER'S INCOME TAXES DUE IS REFUNDED TO THE  
15           TAXPAYER.

16           (5) TO BE ELIGIBLE TO CLAIM A TAX CREDIT PURSUANT TO THIS  
17           SECTION, A TAXPAYER IS REQUIRED TO SUBMIT EVIDENCE OF THE  
18           INSTALLATION OF THE INSTILLATION OF AN ENERGY STORAGE SYSTEM IN  
19           A RESIDENTIAL DWELLING, TO THE DEPARTMENT OF REVENUE IN A FORM  
20           AND MANNER TO BE DETERMINED BY THE DEPARTMENT.

21           (6) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2035.

22           **SECTION 2.** In Colorado Revised Statutes, **add** 39-26-730 and  
23           39-26-731 as follows:

24           **39-26-730. Eligible decarbonizing building materials - tax**  
25           **preference performance statement - legislative declaration -**  
26           **definition - repeal.** (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS AND  
27           DECLARES THAT:

1 (I) THE GENERAL ASSEMBLY HAS COMMITTED TO REDUCE  
2 GREENHOUSE GASES THROUGH NUMEROUS POLICY AND REGULATORY  
3 MEASURES TO MEET THE GOALS ESTABLISHED IN 2019;

4 (II) GREAT QUANTITIES OF EMISSIONS ARE RELEASED DURING THE  
5 MANUFACTURE AND TRANSPORT OF BUILDING MATERIALS USED IN  
6 CONSTRUCTION PROJECTS;

7 (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND  
8 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS IN  
9 CONSTRUCTION PROJECTS BY PURCHASING AND USING ELIGIBLE  
10 DECARBONIZING BUILDING MATERIALS, WHICH ARE BUILDING MATERIALS  
11 WITH A MAXIMUM ACCEPTABLE GLOBAL WARMING POTENTIAL AS  
12 DETERMINED BY THE OFFICE OF THE STATE ARCHITECT;

13 (IV) PROVIDING A SALES AND USE TAX EXEMPTION FOR ELIGIBLE  
14 DECARBONIZING BUILDING MATERIALS WILL ENCOURAGE BUSINESSES AND  
15 INDIVIDUALS TO PURCHASE AND USE THOSE BUILDING MATERIALS RATHER  
16 THAN INDUSTRY STANDARD MATERIALS; AND

17 (V) THE PURCHASE AND USE OF ELIGIBLE DECARBONIZING  
18 BUILDING MATERIALS WILL HELP IMPROVE ENVIRONMENTAL OUTCOMES  
19 AND ACCELERATE NECESSARY GREENHOUSE GAS REDUCTIONS TO PROTECT  
20 PUBLIC HEALTH AND THE ENVIRONMENT AND CONSERVE A LIVABLE  
21 CLIMATE BY INCORPORATING EMISSIONS INFORMATION FROM  
22 THROUGHOUT THE SUPPLY CHAIN AND PRODUCT LIFE CYCLE INTO  
23 BUILDING MATERIAL PURCHASING AND USE DECISIONS.

24 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH  
25 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE  
26 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY  
27 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND

1       DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN  
2       SUBSECTION (3) OF THIS SECTION ARE TO:

3               (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,  
4       SPECIFICALLY THE PURCHASE AND USE OF ELIGIBLE DECARBONIZING  
5       BUILDING MATERIALS; AND

6               (II) CONTRIBUTE TO THE STATE'S EFFORT TO ACHIEVE ITS CLIMATE  
7       GOALS.

8               (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL  
9       MEASURE THE EFFECTIVENESS OF THE EXEMPTION IN ACHIEVING THE  
10      PURPOSES SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE  
11      QUANTITY OF ELIGIBLE DECARBONIZING BUILDING MATERIALS SOLD AND  
12      USED IN THE STATE. THE COLORADO ENERGY OFFICE AND OFFICE OF THE  
13      STATE ARCHITECT SHALL PROVIDE THE STATE AUDITOR WITH ANY  
14      AVAILABLE INFORMATION THAT WOULD ASSIST THE STATE AUDITOR'S  
15      MEASUREMENT.

16              (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
17      REQUIRES, "ELIGIBLE DECARBONIZING BUILDING MATERIALS" MEANS  
18      BUILDING MATERIALS THAT HAVE A MAXIMUM ACCEPTABLE GLOBAL  
19      WARMING POTENTIAL AS DETERMINED BY THE OFFICE OF THE STATE  
20      ARCHITECT PURSUANT TO SECTION 24-92-117. "ELIGIBLE DECARBONIZING  
21      BUILDING MATERIALS" INCLUDES:

- 22              (a) ASPHALT AND ASPHALT MIXTURES;
- 23              (b) CEMENT AND CONCRETE MIXTURES;
- 24              (c) GLASS;
- 25              (d) POST-TENSION STEEL;
- 26              (e) REINFORCING STEEL;
- 27              (f) STRUCTURAL STEEL; AND

1 (g) WOOD STRUCTURAL ELEMENTS.

2 (3) ON AND AFTER JULY 1, 2024, ALL SALES, STORAGE, AND USE OF  
3 ELIGIBLE DECARBONIZING BUILDING MATERIALS ARE EXEMPT FROM  
4 TAXATION UNDER PARTS 1 AND 2 OF THIS ARTICLE 26.

5 (4) BY JANUARY 1, 2024, THE OFFICE OF THE STATE ARCHITECT  
6 SHALL SUBMIT ITS POLICY REGARDING THE MAXIMUM ACCEPTABLE  
7 GLOBAL WARMING POTENTIAL FOR BUILDING MATERIALS ESTABLISHED  
8 PURSUANT TO SECTION 24-92-117 TO THE DEPARTMENT OF REVENUE FOR  
9 THE DEPARTMENT'S USE IN ITS SALES AND USE TAX POLICIES. IF THE OFFICE  
10 OF THE STATE ARCHITECT ADJUSTS THE MAXIMUM ACCEPTABLE GLOBAL  
11 WARMING POTENTIAL FOR ANY CATEGORY OF BUILDING MATERIALS  
12 PURSUANT TO SECTION 24-92-117 (3)(c), THE OFFICE SHALL PROVIDE ITS  
13 UPDATED POLICY TO THE DEPARTMENT AS SOON AS PRACTICABLE.

14 (5) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2034.

15 **39-26-731. Air-source and ground-source heat pump systems**  
16 **- heat pump water heaters - tax preference performance statement -**  
17 **legislative declaration - definitions - repeal.** (1) (a) THE GENERAL  
18 ASSEMBLY HEREBY FINDS AND DECLARES THAT:

19 (I) THE GENERAL ASSEMBLY HAS COMMITTED TO REDUCE  
20 GREENHOUSE GASES THROUGH NUMEROUS POLICY AND REGULATORY  
21 MEASURES TO MEET THE GOALS ESTABLISHED IN 2019;

22 (II) GREAT QUANTITIES OF EMISSIONS ARE RELEASED IN THE  
23 TRADITIONAL PROCESS OF HEATING AND COOLING PRIVATE SECTOR  
24 COMMERCIAL AND RESIDENTIAL BUILDINGS;

25 (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND  
26 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS  
27 GENERATED IN THE HEATING AND COOLING OF COMMERCIAL AND

1 RESIDENTIAL BUILDINGS BY INSTALLING AIR-SOURCE AND  
2 GROUND-SOURCE HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS,  
3 WHICH REDUCE NET GREENHOUSE GAS EMISSIONS;

4 (IV) PROVIDING A SALES AND USE TAX EXEMPTION FOR  
5 AIR-SOURCE AND GROUND-SOURCE HEAT PUMP SYSTEMS AND HEAT PUMP  
6 WATER HEATERS WILL ENCOURAGE BUSINESSES AND INDIVIDUALS TO  
7 PURCHASE AND USE THOSE HEAT PUMP SYSTEMS RATHER THAN  
8 TRADITIONAL HEATING AND COOLING METHODS; AND

9 (V) THE PURCHASE AND USE OF AIR-SOURCE AND GROUND-SOURCE  
10 HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS WILL BENEFIT  
11 PUBLIC HEALTH IN THE HEATING AND COOLING OF HOMES AND BUSINESSES,  
12 TAKE ADVANTAGE OF EXCESS RENEWABLE ENERGY POWER GENERATION  
13 DURING PEAK TIMES, AND MAKE USE OF READILY AVAILABLE EXCESS  
14 HEAT.

15 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH  
16 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE  
17 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY  
18 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND  
19 DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN  
20 SUBSECTION (3) OF THIS SECTION ARE TO:

21 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,  
22 SPECIFICALLY THE PURCHASE AND USE OF AIR-SOURCE AND  
23 GROUND-SOURCE HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS;  
24 AND

25 (II) CONTRIBUTE TO THE STATE'S EFFORT TO ACHIEVE ITS CLIMATE  
26 GOALS.

27 (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL

1 MEASURE THE EFFECTIVENESS OF THE EXEMPTION IN ACHIEVING THE  
2 PURPOSES SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE  
3 NUMBER OF AIR-SOURCE AND GROUND-SOURCE HEAT PUMP SYSTEMS AND  
4 HEAT PUMP WATER HEATERS SOLD AND USED IN THE STATE. THE  
5 COLORADO ENERGY OFFICE SHALL PROVIDE THE STATE AUDITOR WITH ANY  
6 AVAILABLE INFORMATION THAT WOULD ASSIST THE STATE AUDITOR'S  
7 MEASUREMENT.

8 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
9 REQUIRES:

10 (a) (I) "AIR-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM THAT:

11 (A) IS CERTIFIED PURSUANT TO THE FEDERAL ENVIRONMENTAL  
12 PROTECTION AGENCY'S ENERGY STAR PROGRAM;

13 (B) HAS A VARIABLE SPEED COMPRESSOR;

14 (C) IS LISTED IN THE AIR-CONDITIONING, HEATING, AND  
15 REFRIGERATION INSTITUTE DIRECTORY OF CERTIFIED PRODUCT  
16 PERFORMANCE AS A MATCHED SYSTEM; AND

17 (D) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR  
18 EMPLOYEE OF A GAS UTILITY IN ACCORDANCE WITH THE NATIONAL  
19 ELECTRICAL CODE AND THE MANUFACTURER'S SPECIFICATIONS.

20 (II) "AIR-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A DUAL FUEL  
21 SYSTEM SO LONG AS:

22 (A) THE AIR-SOURCE HEAT PUMP IS USED AS THE PRIMARY SOURCE  
23 OF A BUILDING'S HEAT AND IS DESIGNED TO SUPPLY AT LEAST EIGHTY  
24 PERCENT OF TOTAL ANNUAL HEATING FOR THE BUILDING;

25 (B) THE SYSTEM IS CAPABLE OF DISTRIBUTING PRODUCED HEAT TO  
26 ALL CONDITIONED AREAS OF THE BUILDING;

27 (C) THE SYSTEM HAS A FURNACE WITH AN ANNUAL FUEL

1 UTILIZATION EFFICIENCY RATING OF NINETY PERCENT OR HIGHER;  
2 (D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS  
3 CERTIFIED TO NITC R78 BRAZING PROCEDURE; AND  
4 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS THAT ARE TRAINED  
5 ON THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.  
6 (b) (I) "GROUND-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM  
7 THAT:  
8 (A) IS CERTIFIED TO THE INTERNATIONAL ORGANIZATION FOR  
9 STANDARDIZATION'S LATEST STANDARDS;  
10 (B) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR  
11 EMPLOYEE OF A GAS UTILITY IN ACCORDANCE WITH THE NATIONAL  
12 ELECTRIC CODE AND MANUFACTURER'S SPECIFICATIONS;  
13 (C) CONFORMS TO ALL APPLICABLE MUNICIPAL, STATE, AND  
14 FEDERAL CODES, STANDARDS, REGULATIONS, AND CERTIFICATIONS;  
15 (D) HAS BLOWERS THAT ARE \_\_\_\_\_ VARIABLE SPEED,  
16 HIGH-EFFICIENCY MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS  
17 LISTED IN THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION  
18 MG1-1993 PUBLICATION; AND  
19 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER  
20 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM  
21 REQUIREMENTS.  
22 (II) "GROUND-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A DUAL  
23 FUEL SYSTEM SO LONG AS:  
24 (A) THE GROUND-SOURCE HEAT PUMP IS USED AS THE PRIMARY  
25 SOURCE OF A BUILDING'S HEAT AND IS DESIGNED TO SUPPLY AT LEAST  
26 EIGHTHY PERCENT OF TOTAL ANNUAL HEATING FOR THE BUILDING;  
27 (B) THE SYSTEM IS CAPABLE OF DISTRIBUTING PRODUCED HEAT TO

1 ALL CONDITIONED AREAS OF THE BUILDING;  
2 (C) THE FURNACE HAS AN ANNUAL FUEL UTILIZATION EFFICIENCY  
3 RATING OF NINETY PERCENT OR HIGHER;  
4 (D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS  
5 CERTIFIED TO NITC R78 BRAZING PROCEDURE; AND  
6 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS THAT ARE TRAINED  
7 ON THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.  
8 (III) "GROUND-SOURCE HEAT PUMP SYSTEM" INCLUDES  
9 MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION  
10 OF A GROUND-SOURCE HEAT PUMP.  
11 (IV) "GROUND-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A  
12 HEAT EXCHANGER FOR WATER HEATING.  
13 (c) (I) "HEAT PUMP WATER HEATER" MEANS AN ELECTRIC WATER  
14 HEATER USING HEAT PUMP TECHNOLOGY TO TRANSFER HEAT FROM THE  
15 SURROUNDING AIR TO WATER IN A TANK, AND THAT:  
16 (A) IS CERTIFIED PURSUANT TO THE FEDERAL ENVIRONMENTAL  
17 PROTECTION AGENCY'S ENERGY STAR PROGRAM; AND  
18 (B) INCLUDES A MODULAR DEMAND RESPONSE COMMUNICATIONS  
19 PORT.  
20 (II) "HEAT PUMP WATER HEATER" MAY INCLUDE:  
21 (A) AN ELECTRIC RESISTANCE HEATING ELEMENT; AND  
22 (B) MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE  
23 OPERATION OF A HEAT PUMP WATER HEATER.  
24 (3) ON AND AFTER JANUARY 1, 2023, ALL SALES, STORAGE, AND  
25 USE OF AIR-SOURCE HEAT PUMP SYSTEMS, GROUND-SOURCE HEAT PUMP  
26 SYSTEMS, AND HEAT PUMP WATER HEATERS THAT ARE USED IN  
27 COMMERCIAL AND RESIDENTIAL BUILDINGS ARE EXEMPT FROM TAXATION

1 UNDER PARTS 1 AND 2 OF THIS ARTICLE 26.

2 (4) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2033.

3 **SECTION 3.** In Colorado Revised Statutes, **add 40-3-119** as  
4 **follows:**

5 **40-3-119. Measurement of use for billing - rules.** ON OR BEFORE  
6 JULY 1, 2023, THE COMMISSION SHALL ADOPT RULES AUTHORIZING  
7 INVESTOR-OWNED GAS UTILITIES TO MEASURE THE AMOUNT OF USE FOR  
8 BILLING PURPOSES IN EITHER BRITISH THERMAL UNITS OR GAS THERMS.

9 **SECTION 4.** In Colorado Revised Statutes, 29-2-105, **add**  
10 (1)(d)(I)(Q) and (1)(d)(I)(R) as follows:

11 **29-2-105. Contents of sales tax ordinances and proposals.**

12 (1) The sales tax ordinance or proposal of any incorporated town, city,  
13 or county adopted pursuant to this article 2 shall be imposed on the sale  
14 of tangible personal property at retail or the furnishing of services, as  
15 provided in subsection (1)(d) of this section. Any countywide or  
16 incorporated town or city sales tax ordinance or proposal shall include the  
17 following provisions:

18 (d) (I) A provision that the sale of tangible personal property and  
19 services taxable pursuant to this article 2 shall be the same as the sale of  
20 tangible personal property and services taxable pursuant to section  
21 39-26-104, except as otherwise provided in this subsection (1)(d). The  
22 sale of tangible personal property and services taxable pursuant to this  
23 article 2 shall be subject to the same sales tax exemptions as those  
24 specified in part 7 of article 26 of title 39; except that the sale of the  
25 following may be exempted from a town, city, or county sales tax only by  
26 the express inclusion of the exemption either at the time of adoption of  
27 the initial sales tax ordinance or resolution or by amendment thereto:

1 (Q) THE EXEMPTION FOR SALES OF ELIGIBLE DECARBONIZING  
2 BUILDING MATERIALS SET FORTH IN SECTION 39-26-730; AND

3 (R) THE EXEMPTION FOR SALES OF AIR-SOURCE HEAT PUMP  
4 SYSTEMS, GROUND-SOURCE HEAT PUMP SYSTEMS, AND HEAT PUMP WATER  
5 HEATERS SET FORTH IN SECTION 39-26-731.

6 **SECTION 5.** In Colorado Revised Statutes, 29-2-109, **amend** (1)  
7 introductory portion as follows:

8 **29-2-109. Contents of use tax ordinances and proposals -**  
9 **repeal.** (1) The use tax ordinance, resolution, or proposal of any town,  
10 city, or county adopted pursuant to this article 2 shall be imposed only for  
11 the privilege of using or consuming in the town, city, or county any  
12 construction and building materials purchased at retail or for the privilege  
13 of storing, using, or consuming in the town, city, or county any motor and  
14 other vehicles, purchased at retail on which registration is required, or  
15 both. For the purposes of this subsection (1), the term "construction and  
16 building materials" shall not include parts or materials utilized in the  
17 fabrication, construction, assembly, or installation of passenger tramways,  
18 as defined in section 12-150-103 (5), by any ski area operator, as defined  
19 in section 33-44-103 (7), or any person fabricating, constructing,  
20 assembling, or installing a passenger tramway for a ski area operator. The  
21 ordinance, resolution, or proposal may recite that the use tax shall not  
22 apply to the storage and use of wood from salvaged trees killed or  
23 infested in Colorado by mountain pine beetles or spruce beetles as  
24 exempted from the state use tax pursuant to section 39-26-723. The  
25 ordinance, resolution, or proposal may recite that the use tax shall not  
26 apply to the storage and use of components used in the production of  
27 energy, including but not limited to alternating current electricity, from

1 a renewable energy source, as exempted from the state use tax pursuant  
2 to section 39-26-724. THE ORDINANCE, RESOLUTION, OR PROPOSAL MAY  
3 RECITE THAT THE USE TAX SHALL NOT APPLY TO THE STORAGE AND USE OF  
4 ELIGIBLE DECARBONIZING BUILDING MATERIALS, AS EXEMPTED FROM THE  
5 STATE USE TAX PURSUANT TO SECTION 39-26-730. The ordinance,  
6 resolution, or proposal shall recite that the use tax shall not apply:

7 **SECTION 6. Act subject to petition - effective date.** This act  
8 takes effect at 12:01 a.m. on the day following the expiration of the  
9 ninety-day period after final adjournment of the general assembly; except  
10 that, if a referendum petition is filed pursuant to section 1 (3) of article V  
11 of the state constitution against this act or an item, section, or part of this  
12 act within such period, then the act, item, section, or part will not take  
13 effect unless approved by the people at the general election to be held in  
14 November 2022 and, in such case, will take effect on the date of the  
15 official declaration of the vote thereon by the governor.