

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

**PREAMENDED**

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

LLS NO. 24-0859.01 Sarah Lozano x3858

**HOUSE BILL 24-1352**

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**HOUSE SPONSORSHIP**

**Froelich and Velasco,**

**SENATE SPONSORSHIP**

**Cutter, Priola**

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**House Committees**

Energy & Environment  
Finance  
Appropriations

**Senate Committees**

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**A BILL FOR AN ACT**

101 **CONCERNING MEASURES TO INCREASE ACCESS TO AFFORDABLE**  
102 **APPLIANCES FOR A HEALTHY COMMUNITY.**

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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>.)*

**Section 1** of the bill, on and after January 1, 2027, prohibits the sale and distribution of certain air conditioners that are manufactured on or after January 1, 2027, (covered HVAC) unless the covered HVAC complies with certain technical standards (technical standards).

On or before January 1, 2029, and again on or before January 1, 2034, the executive director of the department of public health and

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

environment (executive director) must assess compliance with the technical standards. On or before February 1, 2029, and again on or before February 1, 2034, the executive director must prepare a report of the assessments.

Before January 1, 2027, the executive director must establish a secure process that allows an individual to make an anonymous report of a violation of the technical standards. In the case of the first 2 violations of the technical standards, the executive director must send a warning letter to the alleged violator. In the case of a third or subsequent violation, the attorney general may bring a civil action to seek a civil penalty of no more than \$2,000 per ton of cooling and certain other remedial actions.

**Section 3**, on or before January 1, 2026, and every other January 1 until January 1, 2034, requires the Colorado energy office (energy office) to conduct a market study or literature review to estimate the average cost difference for certain income-qualified households and income-qualified housing providers between installing a covered HVAC that meets the technical standards and installing a covered HVAC that does not meet the technical standards (study).

On or before January 1, 2027, the energy office shall establish a program to offer certain financial incentives to certain income-qualified households and income-qualified housing providers to cover the average cost difference described in the energy office's most recent study.

For income tax years commencing on and after January 1, 2024, but before January 1, 2034, **section 4** creates a refundable, assignable state income tax credit that a home builder or an HVAC contractor that installs certain cold-climate heat pumps or ground-source heat pumps (eligible heat pump) can claim in the tax year that the eligible heat pump is placed into service. The amount of the tax credit is \$5,000 per installation of an eligible heat pump, but the amount claimed may be increased based on certain criteria. A home builder or an HVAC contractor must provide certain verification information to the department of revenue to qualify for the tax credit.

**Section 5:**

- Makes certain changes to definitions;
- Changes the state income tax credit amounts that may be claimed for the installation of certain other heat pumps; and
- Requires the energy office to post information about the tax credit on the energy office's website.

**Section 6** makes certain changes to definitions.

**Section 8**, on or before April 1, 2025, requires a public utility that provides electricity to submit to the public utilities commission a proposal for a specific voluntary rate or rates for electricity supplied to residential customers who utilize a heat pump as their primary heating source.

**Section 9** requires, on and after January 1, 2025, recipients of state financial assistance for new building construction projects that include



1 WINTER HEATING IF THEY ARE CONFIGURED AS HEAT PUMPS, WHICH ARE  
2 A MORE ENVIRONMENTALLY FRIENDLY OPTION THAN OTHER TYPES OF  
3 HVAC;

4 (c) BECAUSE HEAT PUMPS DO NOT COMBUST FOSSIL FUELS, HEAT  
5 PUMPS GREATLY REDUCE THE ADVERSE HEALTH IMPACTS ASSOCIATED  
6 WITH INDOOR AND OUTDOOR AIR POLLUTION, WHICH ADVERSE HEALTH  
7 IMPACTS INCLUDE ASTHMA, CARDIOVASCULAR ILLNESSES, NEUROLOGICAL  
8 PROBLEMS, CERTAIN CANCERS, AND PREMATURE DEATHS;

9 (d) HEAT PUMPS EMIT FEWER GREENHOUSE GASES THAN OTHER  
10 TYPES OF HVAC, WHICH CAN HELP REDUCE CLIMATE CHANGE;

11 (e) THE MOST ECONOMICAL TIME TO CONFIGURE RESIDENTIAL AIR  
12 CONDITIONERS AS HEAT PUMPS IS WHEN A NEW HOME IS CONSTRUCTED  
13 OR WHEN AN EXISTING AIR CONDITIONER IS REPLACED;

14 (f) PROGRAMS, TAX INCENTIVES, AND REBATES FROM THE FEDERAL  
15 "INFLATION REDUCTION ACT OF 2022" AND THE STATE CAN MAKE THIS  
16 TECHNOLOGY LESS EXPENSIVE THAN A COOLING-ONLY SYSTEM; AND

17 (g) COLORADO SHOULD TAKE ADVANTAGE OF THIS FEDERAL  
18 OPPORTUNITY TO THE MAXIMUM EXTENT TO CREATE A MORE AFFORDABLE  
19 AND ENVIRONMENTALLY FRIENDLY HOUSING MARKET AND INDUSTRY.

20 (2) THE GENERAL ASSEMBLY THEREFORE DETERMINES AND  
21 DECLARES THAT IT IS IN THE PUBLIC INTEREST FOR THE HEALTH AND  
22 ENVIRONMENT OF THE STATE TO REQUIRE THAT CERTAIN AIR  
23 CONDITIONERS COMPLY WITH CERTAIN TECHNICAL STANDARDS.

24 **25-7-1602. Definitions.** AS USED IN THIS PART 16, UNLESS THE  
25 CONTEXT OTHERWISE REQUIRES:

26 (1) "AIR CONDITIONER" MEANS ANY ELECTRICALLY POWERED  
27 MECHANICAL DEVICE THAT USES THE REFRIGERATION CYCLE TO COOL AN

1 INTERIOR HABITABLE SPACE.

2 (2) "COLD-CLIMATE HEAT PUMP" HAS THE MEANING SET FORTH IN  
3 SECTION 39-22-554.

4 (3) "COVERED HVAC" MEANS AN AIR CONDITIONER THAT IS:

5 (a) NEW;

6 (b) MANUFACTURED ON OR AFTER JANUARY 1, 2028;

7 (c) POWERED BY A SINGLE-PHASE CURRENT;

8 (d) AIR-COOLED;

9 (e) DESIGNED AND INTENDED FOR PERMANENT INSTALLATION;

10 (f) DESIGNED AND INTENDED FOR ONE- AND TWO-FAMILY  
11 DWELLINGS AND TOWNHOUSES AS DEFINED IN THE INTERNATIONAL  
12 RESIDENTIAL CODE; AND

13 (g) NOT DESIGNED OR INTENDED TO BE WINDOW-MOUNTED.

14 (4) "CROSSOVER TEMPERATURE" MEANS THE TEMPERATURE AT  
15 WHICH A HEAT-PUMP-BASED HVAC SYSTEM SWITCHES PARTIALLY OR  
16 FULLY TO A SUPPLEMENTAL HEATING SOURCE.

17 (5) "DEPARTMENT" MEANS THE DEPARTMENT OF PUBLIC HEALTH  
18 AND ENVIRONMENT.

19 (6) "ENERGY STAR PROGRAM" MEANS THE FEDERAL PROGRAM  
20 AUTHORIZED BY 42 U.S.C. SEC. 6294a, AS AMENDED.

21 (7) "EXECUTIVE DIRECTOR" MEANS THE EXECUTIVE DIRECTOR OF  
22 THE DEPARTMENT.

23 (8) "HEAT PUMP" MEANS AN ELECTRICALLY POWERED  
24 MECHANICAL DEVICE THAT USES THE REFRIGERATION CYCLE TO TRANSFER  
25 THERMAL ENERGY FROM ONE LOCATION TO ANOTHER.

26 (9) "HVAC" MEANS A HEATING, VENTILATION, AND AIR  
27 CONDITIONING SYSTEM.

1           **25-7-1603. Technical standards for covered HVAC -**  
2           **assessment of compliance - report - rules - repeal.** (1) ON AND AFTER

3 JANUARY 1, 2028, A PERSON SHALL NOT DISTRIBUTE, SELL, OFFER FOR  
4 SALE, OFFER FOR LEASE, INSTALL, OR OFFER FOR INSTALLATION A  
5 COVERED HVAC IN THE STATE FOR PROFIT UNLESS THE COVERED HVAC:

6           (a) INCLUDES A FACTORY-INSTALLED REVERSING VALVE AND  
7 OTHER NECESSARY COMPONENTS THAT ALLOW THE COVERED HVAC TO  
8 OPERATE AS A HEAT PUMP IN HEATING MODE;

9           (b) IS INSTALLED WITH CONTROLS THAT:

10           (I) HAVE THE ABILITY TO SET THE HEAT PUMP AS THE PRIMARY  
11 HEATING SOURCE FOR THE AFFECTED ROOM, ZONE, OR HOME AND SET ANY  
12 OTHER HEATING EQUIPMENT AS A SUPPLEMENTAL HEATING SOURCE FOR  
13 THE AFFECTED ROOM, ZONE, OR HOME IN COMPLIANCE WITH THE MOST  
14 RECENT INTERNATIONAL ENERGY CONSERVATION CODE; AND

15           (II) ARE SET WITH A CROSSOVER TEMPERATURE THAT MAXIMIZES  
16 COST-EFFECTIVE USE OF THE HEAT PUMP IN HEATING MODE;

17           (c) MEETS ONE OF THE FOLLOWING OPTIONS FOR COLD-CLIMATE  
18 PERFORMANCE:

19           (I) THE COVERED HVAC UTILIZES A COLD-TEMPERATURE HEAT  
20 PUMP;

21           (II) THE COVERED HVAC UTILIZES A STANDARD,  
22 NON-COLD-CLIMATE HEAT PUMP WITH SUPPLEMENTAL ELECTRIC  
23 RESISTANCE HEAT THAT:

24           (A) INCLUDES A MAXIMUM OF ONE AND ONE-HALF KILOWATTS OF  
25 SUPPLEMENTAL ELECTRIC RESISTANCE HEATING PER TON OF THERMAL  
26 ENERGY, OR THE SMALLEST AMOUNT AVAILABLE, FOR THE APPLICABLE  
27 HEAT PUMP, WHICHEVER IS GREATER; AND

1 (B) IS ACCOMPANIED WITH AN AFFIDAVIT SIGNED BY THE  
2 PROPERTY OWNER ACKNOWLEDGING THE POTENTIAL FOR HIGHER HEATING  
3 BILLS DURING TIMES WHEN THE SUPPLEMENTAL ELECTRIC RESISTANCE  
4 HEAT IS IN USE;

5 (III) THE COVERED HVAC UTILIZES A STANDARD,  
6 NON-COLD-CLIMATE HEAT PUMP WITHOUT SUPPLEMENTAL ELECTRIC  
7 RESISTANCE HEAT THAT IS ACCOMPANIED WITH AN AFFIDAVIT SIGNED BY  
8 THE PROPERTY OWNER ACKNOWLEDGING THAT THE HEAT PUMP MAY NOT  
9 PROVIDE FULL HEATING IN COLD TEMPERATURES; OR

10 (IV) IF ALLOWED BY FEDERAL, STATE, OR LOCAL LAW, THE  
11 COVERED HVAC OPERATES ALONGSIDE A FURNACE, WOOD STOVE, OR  
12 FIREPLACE FOR SUPPLEMENTAL HEAT; AND

13 (d) IS ACCOMPANIED WITH PRINTED INFORMATION, PROVIDED TO  
14 THE PROPERTY OWNER AND ATTACHED TO THE HEAT PUMP, THAT EXPLAINS  
15 THE SPECIFIC HEAT PUMP MODEL'S PERFORMANCE IN COLD TEMPERATURES  
16 AND THE APPLICABILITY OF ANY SUPPLEMENTAL HEAT SOURCES.

17 (2) (a) ON OR BEFORE JANUARY 1, 2030, AND AGAIN ON OR BEFORE  
18 JANUARY 1, 2034, THE EXECUTIVE DIRECTOR SHALL ASSESS COMPLIANCE  
19 WITH SUBSECTION (1) OF THIS SECTION, WHICH ASSESSMENT MAY  
20 INCLUDE:

21 (I) A COMPARISON OF SHIPMENT DATA OF COVERED HVAC THAT  
22 MEETS THE STANDARDS DESCRIBED IN SUBSECTION (1) OF THIS SECTION  
23 AND COVERED HVAC THAT DOES NOT MEET THE STANDARDS DESCRIBED  
24 IN SUBSECTION (1) OF THIS SECTION;

25 (II) FORMAL REQUESTS TO SELECT DISTRIBUTORS IN THE STATE TO  
26 ATTEST TO COMPLIANCE WITH THE STANDARDS DESCRIBED IN SUBSECTION  
27 (1) OF THIS SECTION;

1 (III) RANDOMIZED SPOT-CHECKS OF DISTRIBUTORS; AND  
2 (IV) OTHER METHODS DETERMINED BY THE EXECUTIVE DIRECTOR.

3 (b) ON OR BEFORE FEBRUARY 1, 2030, AND AGAIN ON OR BEFORE  
4 FEBRUARY 1, 2034, THE EXECUTIVE DIRECTOR SHALL PREPARE A REPORT  
5 ON THE ASSESSMENTS MADE PURSUANT TO SUBSECTION (2)(a) OF THIS  
6 SECTION, WHICH REPORT MUST INCLUDE:

7 (I) A DESCRIPTION OF THE METHOD THE EXECUTIVE DIRECTOR  
8 USED TO MAKE THE ASSESSMENTS; AND

9 (II) THE FINDINGS OF THE ASSESSMENTS.

10 (c) NO LATER THAN ONE MONTH AFTER THE COMPLETION OF THE  
11 REPORT DESCRIBED IN SUBSECTION (2)(b) OF THIS SECTION, THE  
12 EXECUTIVE DIRECTOR SHALL:

13 (I) POST THE REPORT ON THE DEPARTMENT'S WEBSITE; AND

14 (II) SUBMIT THE REPORT TO THE ENERGY AND ENVIRONMENT  
15 COMMITTEE OF THE HOUSE OF REPRESENTATIVES AND THE  
16 TRANSPORTATION AND ENERGY COMMITTEE OF THE SENATE, OR ANY  
17 SUCCESSOR COMMITTEES.

18 (d) THIS SUBSECTION (2) IS REPEALED, EFFECTIVE JULY 1, 2034.

19 (3) (a) THE EXECUTIVE DIRECTOR MAY ADOPT RULES AS  
20 NECESSARY TO ENSURE THE TECHNICAL FEASIBILITY, PROPER  
21 IMPLEMENTATION, AND ENFORCEMENT OF THIS SECTION, INCLUDING A  
22 GRACE PERIOD BEFORE ENFORCEMENT PURSUANT TO SECTION 25-7-1604  
23 FOR ALL OR A SUBSET OF COVERED HVAC.

24 (b) THE EXECUTIVE DIRECTOR SHALL NOT ADOPT RULES PURSUANT  
25 TO SUBSECTION (3)(a) OF THIS SECTION THAT WOULD RESULT IN A  
26 SUBSTANTIAL INCREASE IN GREENHOUSE GAS EMISSIONS AS COMPARED TO  
27 NOT ADOPTING THE RULES.

1 (4) NOTHING IN THIS SECTION RESTRICTS THE ABILITY OF A PUBLIC  
2 UTILITY TO PROVIDE INCENTIVES OR SERVICES, OR TO RECEIVE A CREDIT  
3 FOR PROVIDING THOSE INCENTIVES OR SERVICES, AS DEEMED APPROPRIATE  
4 BY THE PUBLIC UTILITIES COMMISSION, FOR THE INSTALLATION OF A  
5 COVERED HVAC.

6 **25-7-1604. Enforcement - process to report violations - civil**  
7 **penalties.** (1) (a) BEFORE JANUARY 1, 2028, THE EXECUTIVE DIRECTOR  
8 SHALL ESTABLISH A SECURE PROCESS, ACCESSIBLE THROUGH THE  
9 DEPARTMENT'S WEBSITE, THAT ALLOWS AN INDIVIDUAL TO MAKE AN  
10 ANONYMOUS REPORT OF A VIOLATION OF SECTION 25-7-1603 (1) TO THE  
11 EXECUTIVE DIRECTOR.

12 (b) THE EXECUTIVE DIRECTOR SHALL INVESTIGATE ANY CREDIBLE  
13 REPORT OF AN ALLEGED VIOLATION OF SECTION 25-7-1603 (1).

14 (2) (a) (I) IN THE CASE OF THE FIRST TWO VIOLATIONS OF SECTION  
15 25-7-1603 (1), THE EXECUTIVE DIRECTOR SHALL SEND A WARNING LETTER  
16 BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE ALLEGED  
17 VIOLATOR.

18 (II) IN THE CASE OF AN ALLEGED VIOLATOR IN A NONMANAGERIAL  
19 ROLE, THE EXECUTIVE DIRECTOR SHALL DELIVER, BY CERTIFIED MAIL,  
20 RETURN RECEIPT REQUESTED, THE WARNING LETTER TO A MANAGER, A  
21 SUPERVISOR, OR AN OWNER.

22 (b) IN THE CASE OF A THIRD OR SUBSEQUENT VIOLATION OF  
23 SECTION 25-7-1603 (1), THE EXECUTIVE DIRECTOR SHALL NOTIFY THE  
24 ATTORNEY GENERAL OF THE VIOLATION. IF THE ATTORNEY GENERAL HAS  
25 PROBABLE CAUSE TO BELIEVE THAT A PERSON HAS VIOLATED OR CAUSED  
26 ANOTHER PERSON TO VIOLATE SECTION 25-7-1603 (1), AFTER TWO  
27 WARNING LETTERS, THE ATTORNEY GENERAL MAY BRING A CIVIL ACTION

1 ON BEHALF OF THE STATE TO SEEK:

2 (I) THE ASSESSMENT OF A CIVIL PENALTY OF NO MORE THAN TWO  
3 THOUSAND DOLLARS PER TON OF THERMAL ENERGY, WHICH PENALTY  
4 AMOUNT MUST BE TRANSFERRED TO THE STATE TREASURER, WHO SHALL  
5 CREDIT THE AMOUNT TO THE ENERGY FUND CREATED IN SECTION  
6 24-38.5-102.4 (1)(a)(I);

7 (II) AT NO ADDITIONAL COST TO THE SYSTEM OWNER, THE  
8 REPLACEMENT OF ANY NONCOMPLIANT SOLD OR LEASED HVAC SYSTEM  
9 WITH A NEW COLD-CLIMATE HEAT PUMP AND ANY ADDITIONAL  
10 MECHANICAL, ELECTRICAL, OR STRUCTURAL COMPONENTS NEEDED TO  
11 EFFECTIVELY OPERATE THE HEAT PUMP; AND

12 (III) THE REMOVAL OF THE VIOLATOR FROM ANY  
13 STATE-MAINTAINED LISTS OF QUALIFIED CONTRACTORS.

14 (c) A VIOLATION OF SECTION 25-7-1603 (1) CONSTITUTES A  
15 SEPARATE VIOLATION WITH RESPECT TO EACH CONSUMER, TRANSACTION,  
16 OR ONLINE FOR-SALE PRODUCT LISTING INVOLVED IN THE VIOLATION.

17 (d) A COURT SHALL NOT ASSESS A CIVIL PENALTY PURSUANT TO  
18 SUBSECTION (2)(b)(I) OF THIS SECTION AGAINST A NONMANAGERIAL  
19 EMPLOYEE OF A CONTRACTOR THAT INSTALLS, REPAIRS, OR REPLACES A  
20 COVERED HVAC AND COLLECTS FROM CUSTOMERS COMPENSATION FOR  
21 LABOR AND EQUIPMENT.

22 **SECTION 2.** In Colorado Revised Statutes, 24-38.5-102.4,  
23 **amend** (1)(a)(I) as follows:

24 **24-38.5-102.4. Energy fund - creation - use of fund -**  
25 **definitions - report - repeal.** (1) (a) (I) The energy fund is created in the  
26 state treasury. The principal of the fund consists of money transferred to  
27 the fund from the general fund; money transferred to the fund at the end

1 of the 2006-07 state fiscal year and at the end of each succeeding state  
2 fiscal year from money received by the Colorado energy office; money  
3 received pursuant to the federal "American Recovery and Reinvestment  
4 Act of 2009", Pub.L. 111-5, or any amendments thereto; money received  
5 pursuant to revenue contracts, court settlement funds, supplemental  
6 environmental program funds, or the repayment or return of funds from  
7 eligible public depositories; money transferred to the fund pursuant to  
8 sections 6-7.5-110 (2)(a), **6-7.7-103 (5)**, 25-5-1406 (3)(a), and 25-7-1507  
9 (3)(a), AND 25-7-1604 (2)(b)(I); money received as gifts, grants, and  
10 donations; and any other money received by the Colorado energy office.  
11 Interest and income earned on the deposit and investment of money in the  
12 energy fund are credited to the fund. Money in the fund at the end of any  
13 state fiscal year remains in the fund and may not be credited to the state  
14 general fund or any other fund. Money in the fund may not be transferred  
15 to the innovative energy fund created in section 24-38.5-102.5.

16 **SECTION 3.** In Colorado Revised Statutes, **add** 24-38.5-123 as  
17 follows:

18 **24-38.5-123. Recommendations for improving access to certain**  
19 **cooling devices in households - study - short title - legislative**  
20 **declaration - definitions - repeal.** (1) THE SHORT TITLE OF THIS SECTION  
21 IS "ENSURING MARKET READINESS FOR ALL".

22 (2) THE GENERAL ASSEMBLY FINDS, DETERMINES, AND DECLARES  
23 THAT:

24 (a) IMPROVING ACCESS TO LOW-EMISSION TECHNOLOGIES IS A  
25 CRUCIAL COMPONENT IN ENSURING THAT THE STATE'S TRANSITION TO A  
26 CLEAN ENERGY ECONOMY IS EQUITABLE FOR COLORADANS OF ALL  
27 SOCIOECONOMIC BACKGROUNDS;

1 (b) THE FEDERAL "INFLATION REDUCTION ACT OF 2022" CREATED  
2 CONSUMER TAX INCENTIVES AND REBATES TO ENCOURAGE THE USE OF  
3 NEW HEAT PUMPS AND OTHER LOW-EMISSION TECHNOLOGIES;

4 (c) THE IMPLEMENTATION OF SECTION 40-3.2-109 WILL MAKE  
5 ADDITIONAL INCENTIVES AVAILABLE FOR HEAT PUMPS AND OTHER  
6 LOW-EMISSION TECHNOLOGIES;

7 (d) HOWEVER, DEDICATED ATTENTION IS NECESSARY TO ENSURE  
8 THAT THESE TECHNOLOGIES REACH ALL COLORADANS, PARTICULARLY  
9 INCOME-QUALIFIED HOUSEHOLDS AND INCOME-QUALIFIED HOUSING  
10 PROVIDERS;

11 (e) ALLOWING CONSUMER TAX INCENTIVES AND REBATES TO BE  
12 CLAIMED AT THE POINT OF SALE WILL ENSURE EQUITY BY IMPROVING  
13 ACCESS TO LOW-EMISSION TECHNOLOGIES FOR COLORADANS WHO CANNOT  
14 AFFORD THE FULL PRICE FOR THESE TECHNOLOGIES; AND

15 (f) HIGHER ADOPTION RATES OF LOW-EMISSION TECHNOLOGIES  
16 WILL BENEFIT ALL COLORADANS THROUGH CLEANER AIR, A MORE STABLE  
17 CLIMATE, BETTER UTILIZATION OF RENEWABLE ENERGY, AND MORE  
18 FAMILY-SUSTAINING JOBS.

19 (3) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
20 REQUIRES:

21 (a) "COMMISSION" MEANS THE PUBLIC UTILITIES COMMISSION  
22 CREATED IN SECTION 40-2-101 (1)(a).

23 (b) "COVERED HVAC" HAS THE MEANING SET FORTH IN SECTION  
24 25-7-1602 (3).

25 (c) "DIRECTOR" MEANS THE DIRECTOR OF THE OFFICE OR THE  
26 DIRECTOR'S DESIGNEE.

27

1 (d) "INCOME-QUALIFIED HOUSEHOLD" MEANS A HOUSEHOLD THAT  
2 EARNS UP TO EIGHTY PERCENT OF THE AREA MEDIAN INCOME.

3 (e) "INCOME-QUALIFIED HOUSING PROVIDER" MEANS AN OWNER OF  
4 A RESIDENTIAL PROPERTY IN WHICH AT LEAST FIFTY PERCENT OF THE  
5 UNITS SERVE INCOME-QUALIFIED HOUSEHOLDS.

6 (f) "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN  
7 SECTION 24-38.5-101 (1).

8 (g) "RECOMMENDATIONS" MEANS THE RECOMMENDATIONS MADE  
9 BY THE OFFICE PURSUANT TO SUBSECTION (5)(b) OF THIS SECTION.

10 (4) ON OR BEFORE JANUARY 1, 2027, THE OFFICE SHALL CONDUCT  
11 A BRIEF MARKET STUDY OR LITERATURE REVIEW OF NO MORE THAN FIVE  
12 PAGES TO ESTIMATE THE AVERAGE DIFFERENCE FOR INCOME-QUALIFIED  
13 HOUSEHOLDS AND INCOME-QUALIFIED HOUSING PROVIDERS BETWEEN THE  
14 COSTS OF INSTALLING A COVERED HVAC THAT MEETS THE STANDARDS  
15 DESCRIBED IN SECTION 25-7-1603 (1) AND THE COSTS OF INSTALLING  
16 A COVERED HVAC THAT DOES NOT MEET THE STANDARDS DESCRIBED IN  
17 SECTION 25-7-1603 (1), WHICH DIFFERENCE MUST TAKE INTO ACCOUNT  
18 ANY APPLICABLE FEDERAL, STATE, LOCAL, AND UTILITY FINANCIAL  
19 INCENTIVES.

20  
21 (5) ON OR BEFORE FEBRUARY 1, 2027, THE OFFICE SHALL IDENTIFY  
22 ANY REGIONS OF THE STATE, SEGMENTS OF THE STATE'S  
23 INCOME-QUALIFIED POPULATION, AND HOUSING PROVIDERS THAT SERVE  
24 THE STATE'S INCOME-QUALIFIED POPULATION THAT DOES NOT HAVE  
25 ACCESS TO INCENTIVES OFFERED BY THE OFFICE, A GAS OR ELECTRIC  
26 UTILITY OR COOPERATIVE, OR ANY OTHER LOCAL OR REGIONAL ENTITY TO  
27 COVER THE AVERAGE INCREMENTAL COST DIFFERENCE DESCRIBED IN THE

1 OFFICE'S MOST RECENT BRIEF MARKET STUDY OR LITERATURE REVIEW  
2 CONDUCTED PURSUANT TO SUBSECTION (4) OF THIS SECTION. IF ANY GAPS  
3 IN INCENTIVE COVERAGE ARE FOUND, IN A REPORT TO THE GENERAL  
4 ASSEMBLY AND THE COMMISSION, THE OFFICE SHALL:

5 (a) IDENTIFY WHICH GAPS IN INCENTIVE ACCESS SHOULD BE  
6 COVERED BY ENTITIES SUBJECT TO SECTION 40-3.2-109; AND

7 (b) MAKE RECOMMENDATIONS TO THE GENERAL ASSEMBLY AND  
8 THE COMMISSION FOR FILLING ANY REMAINING GAPS IN INCENTIVE ACCESS.

9

10 (6) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2027.

11 **SECTION 4.** In Colorado Revised Statutes, **add** 39-22-554.5 as  
12 follows:

13 **39-22-554.5. Tax credit for cold-climate heat pumps and**  
14 **ground-source heat pumps - tax preference performance statement**  
15 **- legislative declaration - definitions - repeal.** (1) (a) THE GENERAL

16 ASSEMBLY FINDS, DETERMINES, AND DECLARES THAT:

17 (I) COLD-CLIMATE HEAT PUMPS AND GROUND-SOURCE HEAT PUMPS  
18 ARE ADVANCED, PROVEN, RELIABLE, ENERGY-EFFICIENT, AND  
19 LOW-EMISSION TECHNOLOGIES THAT PROVIDE HEATING IN COLORADO'S  
20 WINTERS AND COOLING IN COLORADO'S SUMMERS;

21 (II) INCENTIVIZING HVAC CONTRACTORS TO INSTALL ELIGIBLE  
22 COLD-CLIMATE HEAT PUMPS AND GROUND-SOURCE HEAT PUMPS WILL  
23 ENCOURAGE THE WIDESPREAD ADOPTION OF THESE TECHNOLOGIES,  
24 LEADING TO IMPROVED ENERGY-EFFICIENCY EFFORTS, HIGHER  
25 UTILIZATION OF RENEWABLE ENERGY, REDUCED GREENHOUSE GAS  
26 EMISSIONS, AND BETTER INDOOR AND OUTDOOR AIR QUALITY;

27 (III) THE GENERAL ASSEMBLY USES CREDITS AS A TOOL TO

1 ACCELERATE THE ADOPTION OF CLEAN ENERGY TECHNOLOGIES;

2 (IV) SUPPORTING THE STATE'S CONSTRUCTION INDUSTRY AND  
3 CONTRACTORS THROUGH THE ISSUANCE OF CREDITS WILL FOSTER  
4 ECONOMIC GROWTH, CREATE JOB OPPORTUNITIES, STIMULATE LOCAL  
5 ECONOMIES, AND ACCELERATE THE STATE'S JUST TRANSITION; AND

6 (V) IT IS IMPERATIVE TO ENCOURAGE THE STATE'S TRANSITION TO  
7 ENVIRONMENTALLY FRIENDLY PRACTICES AND TECHNOLOGIES TO ENSURE  
8 A SUSTAINABLE AND RESILIENT FUTURE FOR THE STATE.

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

15 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY █████ HVAC  
16 CONTRACTORS, SPECIFICALLY THE INSTALLATION OF ELIGIBLE  
17 COLD-CLIMATE HEAT PUMPS AND GROUND-SOURCE HEAT PUMPS; AND

18 (II) CONTRIBUTE TO THE STATE'S EFFORTS TO ACHIEVE THE  
19 STATEWIDE GREENHOUSE GAS EMISSION REDUCTION GOALS SET FORTH IN  
20 SECTION 25-7-102 (2)(g).

21 (c) THE GENERAL ASSEMBLY █████ SHALL MEASURE THE  
22 EFFECTIVENESS OF THE TAX CREDIT IN ACHIEVING THE PURPOSES SPECIFIED  
23 IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE INFORMATION  
24 REQUIRED TO BE MAINTAINED BY AND REPORTED TO THE STATE AUDITOR  
25 BY THE DEPARTMENT PURSUANT TO SUBSECTION (8) OF THIS SECTION.

26 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
27 REQUIRES:

1 (a) "COLD-CLIMATE HEAT PUMP" HAS THE MEANING SET FORTH IN  
2 SECTION 39-22-554.

3 (b) "CROSSOVER TEMPERATURE" MEANS THE POINT THAT A  
4 HEAT-PUMP-BASED HVAC SYSTEM SWITCHES EITHER PARTIALLY OR  
5 FULLY FROM THE HEAT PUMP TO A SUPPLEMENTARY HEATING SOURCE.

6 (c) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

7 (d) "DISPROPORTIONATELY IMPACTED COMMUNITY" HAS THE  
8 MEANING SET FORTH IN SECTION 24-4-109 (2)(b)(II).

9 (e) "ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE  
10 HEAT PUMP" MEANS A COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE  
11 HEAT PUMP THAT:

12 (I) IS CAPABLE OF PROVIDING A MINIMUM OF ONE TON AND A  
13 MAXIMUM OF FIVE TONS OF THERMAL ENERGY;

14 [REDACTED]

15 (II) IN THE CASE OF A COLD-CLIMATE HEAT PUMP WITH  
16 SUPPLEMENTAL ELECTRIC-RESISTANCE HEATING, IS INSTALLED WITH  
17 CONTROLS THAT SET A CROSSOVER TEMPERATURE NO HIGHER THAN FIVE  
18 DEGREES FAHRENHEIT; AND

19 (III) IS NOT SUPPLEMENTED BY A FURNACE OR OTHER EQUIPMENT  
20 THAT COMBUSTS FOSSIL FUELS.

21 [REDACTED]

22 (f) "ENERGY STAR PROGRAM" MEANS THE FEDERAL PROGRAM  
23 AUTHORIZED BY 42 U.S.C. SEC. 6294a, AS AMENDED.

24 (g) "GROUND-SOURCE HEAT PUMP" HAS THE MEANING SET FORTH  
25 IN SECTION 39-22-554 (2).

26 (h) "HEAT PUMP" MEANS AN ELECTRICALLY POWERED  
27 MECHANICAL DEVICE THAT USES THE REFRIGERATION CYCLE TO TRANSFER

1 THERMAL ENERGY FROM ONE LOCATION TO ANOTHER.

2 (i) "HISTORICALLY UNDERUTILIZED BUSINESS" HAS THE MEANING  
3 SET FORTH IN SECTION 24-103-1103.

4

5 (j) "HVAC" MEANS A HEATING, VENTILATION, AND AIR  
6 CONDITIONING SYSTEM.

7 (k) "HVAC COMMISSIONING" MEANS AN EVALUATION AND A  
8 FUNCTIONAL TESTING OF A HEATING OR COOLING SYSTEM TO ENSURE IT IS  
9 OPERATING UNDER MANUFACTURER SPECIFICATIONS AND IS OPERATING  
10 OPTIMALLY.

11 (l) (I) "HVAC CONTRACTOR" MEANS A PERSON THAT INSTALLS  
12 HVAC SYSTEMS IN THE STATE FOR COMPENSATION AND IS A QUALIFIED  
13 CONTRACTOR PURSUANT TO SECTION 39-22-554.

14 (II) "HVAC CONTRACTOR" DOES NOT INCLUDE AN INDIVIDUAL  
15 THAT INSTALLS AN HVAC SYSTEM IN THE INDIVIDUAL'S OWN RESIDENCE.

16

17 (m) (I) "TAXPAYER" MEANS A PERSON SUBJECT TO TAX UNDER  
18 THIS ARTICLE 22 OR A PERSON OR POLITICAL SUBDIVISION OF THIS STATE  
19 THAT IS EXEMPT FROM TAX UNDER SECTION 39-22-112 (1).

20 (II) "TAXPAYER" INCLUDES A PERSON OR POLITICAL SUBDIVISION  
21 OF THE STATE THAT IS EXEMPT FROM TAX UNDER SECTION 39-22-112 (1)  
22 EVEN IF THE PERSON HAS NO UNRELATED BUSINESS INCOME.

23 (III) "TAXPAYER" DOES NOT INCLUDE INSURANCE COMPANIES  
24 SUBJECT TO THE TAX IMPOSED ON GROSS PREMIUMS BY SECTION 10-3-209.

25 (n) "THIRD-PARTY HVAC COMMISSIONING" MEANS HVAC  
26 COMMISSIONING PERFORMED BY A PERSON THAT IS NOT COMPENSATED BY  
27 OR OTHERWISE INFLUENCED BY THE HVAC CONTRACTOR RESPONSIBLE

1 FOR THE HVAC INSTALLATION.

2 (3) (a) FOR INCOME TAX YEARS COMMENCING ON AND AFTER  
3 JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2035, A TAXPAYER THAT IS  
4 AN HVAC CONTRACTOR AND THAT INSTALLS AN ELIGIBLE  
5 COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP IN THE STATE  
6 IS ALLOWED A CREDIT AGAINST THE INCOME TAXES IMPOSED BY THIS  
7 ARTICLE 22 IN AN AMOUNT SET FORTH IN SUBSECTION (3)(b) OF THIS  
8 SECTION IN THE TAX YEAR THAT THE ELIGIBLE COLD-CLIMATE HEAT PUMP  
9 OR GROUND-SOURCE HEAT PUMP IS PLACED INTO SERVICE.

10 (b) SUBJECT TO THE MODIFICATIONS SET FORTH IN SUBSECTION  
11 (3)(c) OF THIS SECTION, THE AMOUNT OF THE CREDIT ALLOWED PURSUANT  
12 TO THIS SECTION IS FIVE THOUSAND DOLLARS PER INSTALLATION OF  
13 ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP,  
14 WITH A MAXIMUM OF TEN TOTAL INSTALLATIONS.

15 (c) NOTWITHSTANDING THE AMOUNT SET FORTH IN SUBSECTION  
16 (3)(b) OF THIS SECTION, THE AMOUNT OF THE CREDIT ALLOWED BY THIS  
17 SECTION MAY BE INCREASED BY AN ADDITIONAL ONE THOUSAND DOLLARS  
18 PER ELIGIBLE COLD-CLIMATE OR GROUND-SOURCE HEAT PUMP  
19 INSTALLATION FOR EACH OF THE FOLLOWING CRITERIA, WITH A MAXIMUM  
20 INCREASE OF FIVE THOUSAND DOLLARS:

21 (I) THE ELIGIBLE COLD-CLIMATE OR GROUND-SOURCE HEAT PUMP  
22 IS INSTALLED BY AN HVAC CONTRACTOR THAT UTILIZES PREVAILING  
23 WAGE AND APPRENTICESHIP PROGRAMS REGISTERED WITH THE UNITED  
24 STATES DEPARTMENT OF LABOR AND THE STATE APPRENTICESHIP AGENCY;

25 (II) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE  
26 HEAT PUMP IS INSTALLED BY AN HVAC CONTRACTOR THAT UTILIZES  
27 COLLECTIVE BARGAINING AGREEMENTS;

1 (III) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE  
2 HEAT PUMP IS INSTALLED BY [REDACTED] AN HVAC CONTRACTOR THAT IS A  
3 HISTORICALLY UNDERUTILIZED BUSINESS;

4 (IV) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE  
5 HEAT PUMP IS INSTALLED IN A DISPROPORTIONATELY IMPACTED  
6 COMMUNITY;

7 (V) THE INSTALLATION INCLUDES AT LEAST TWO ON-SITE  
8 EMPLOYEES WHO HAVE:

9 (A) A BUILDING PERFORMANCE INSTITUTE AIR CONDITIONING AND  
10 HEAT PUMP PROFESSIONAL CERTIFICATION, OR A SUCCESSOR  
11 CERTIFICATION; OR

12 (B) A NORTH AMERICAN TECHNICIAN EXCELLENCE AIR-TO-AIR  
13 HEAT PUMP INSTALLATION CERTIFICATION, OR A SUCCESSOR  
14 CERTIFICATION; [REDACTED]

15 [REDACTED]

16 (VI) THE INSTALLATION UNDERGOES THIRD-PARTY HVAC  
17 COMMISSIONING;

18 (VII) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR  
19 GROUND-SOURCE HEAT PUMP IS INSTALLED IN A PROPERTY THAT HAS  
20 IMPLEMENTED VERIFIED ENERGY EFFICIENCY MEASURES WITHIN THREE  
21 YEARS BEFORE THE DATE THAT THE ELIGIBLE COLD-CLIMATE HEAT PUMP  
22 OR GROUND-SOURCE HEAT PUMP IS INSTALLED AND HAS SAVED AN  
23 AVERAGE OF AT LEAST TEN PERCENT ANNUALLY;

24 (VIII) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR  
25 GROUND-SOURCE HEAT PUMP IS INSTALLED IN A PROPERTY THAT HAS AT  
26 LEAST THREE KILOWATTS OF SOLAR ENERGY GENERATION EQUIPMENT ON  
27 SITE PER HOUSING UNIT; AND

1 (IX) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE  
2 HEAT PUMP IS INSTALLED IN A PROPERTY THAT IS CERTIFIED BY THE  
3 PASSIVE HOUSE INSTITUTE, PHIUS, OR A SUCCESSOR ORGANIZATION.

4

5 (4) IN ORDER TO QUALIFY FOR THE TAX CREDIT ALLOWED  
6 PURSUANT TO THIS SECTION, THE HVAC CONTRACTOR SHALL PROVIDE  
7 VERIFICATION, IN THE FORM AND MANNER DETERMINED BY THE  
8 DEPARTMENT, OF THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR  
9 GROUND-SOURCE HEAT PUMP, WHICH VERIFICATION MUST INCLUDE:

10 (a) THE MAKE, MODEL, AND SERIAL NUMBER OF THE ELIGIBLE  
11 COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP;

12 (b) THE TOTAL CUSTOMER COST OF THE INSTALLATION OF THE  
13 ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP;

14 (c) THE ZIP CODE WHERE THE ELIGIBLE COLD-CLIMATE HEAT PUMP  
15 OR GROUND-SOURCE HEAT PUMP IS INSTALLED;

16 (d) THE LOAD CALCULATIONS FOR THE INSTALLATION OF THE  
17 ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP;

18 (e) AN ATTESTATION THAT THE COLD-CLIMATE HEAT PUMP OR  
19 GROUND-SOURCE HEAT PUMP IS NOT SUPPLEMENTED BY A FURNACE OR  
20 OTHER EQUIPMENT THAT COMBUSTS FOSSIL FUELS; AND

21 (f) ANY INFORMATION THAT THE DEPARTMENT DETERMINES IS  
22 NECESSARY TO VERIFY THE CREDIT INCREASE CLAIMED PURSUANT TO  
23 SUBSECTION (3)(c) OF THIS SECTION.

24

25 (5) (a) AN HVAC CONTRACTOR MAY ASSIGN THE FULL CREDIT  
26 ALLOWED PURSUANT TO THIS SECTION TO ANOTHER TAXPAYER, INVESTOR,  
27 OR FINANCING ENTITY AS FOLLOWS:

1 (I) THE ASSIGNMENT MUST BE COMPLETED AT THE TIME OF  
2 INSTALLATION BY ENTERING INTO AN AGREEMENT PURSUANT TO  
3 SUBSECTION (5)(c) OF THIS SECTION;

4 (II) THE HVAC CONTRACTOR MUST CERTIFY IN WRITING THAT  
5 THE HVAC CONTRACTOR HAS MET OR WILL MEET ALL THE APPLICABLE  
6 REQUIREMENTS FOR THE INSTALLATION;

7 (III) THE HVAC CONTRACTOR MUST FORFEIT THE RIGHT TO  
8 CLAIM THE CREDIT ON THE HVAC CONTRACTOR'S TAX RETURN IN  
9 EXCHANGE FOR GOOD AND VALUABLE CONSIDERATION; AND

10 (IV) THE TAXPAYER, INVESTOR, OR FINANCING ENTITY MUST  
11 COMPENSATE THE HVAC CONTRACTOR FOR THE FULL NOMINAL VALUE  
12 OF THE CREDIT. THE COMPENSATION PAID TO THE HVAC CONTRACTOR  
13 IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT STATE TAXABLE  
14 INCOME.

15 (b) NOTWITHSTANDING SECTION 39-21-108 (3), IF AN HVAC  
16 CONTRACTOR ASSIGNS THE CREDIT TO A TAXPAYER, INVESTOR, OR  
17 FINANCING ENTITY PURSUANT TO THIS SUBSECTION (5), THE TAXPAYER,  
18 INVESTOR, OR FINANCING ENTITY RECEIVES THE FULL AMOUNT OF THE  
19 CREDIT THAT THE HVAC CONTRACTOR IS ALLOWED PURSUANT TO THIS  
20 SECTION. ANY UNPAID BALANCE OR UNPAID DEBT OF THE TAXPAYER,  
21 INVESTOR, OR FINANCING ENTITY BEING ASSIGNED THE CREDIT MAY NOT  
22 BE CREDITED FROM THE AMOUNT OF THE TAX CREDIT ALLOWED PURSUANT  
23 TO THIS SECTION.

24 (c) (I) TO COMPLETE THE ASSIGNMENT PURSUANT TO THIS  
25 SUBSECTION (5), THE HVAC CONTRACTOR AND THE TAXPAYER,  
26 INVESTOR, OR FINANCING ENTITY BEING ASSIGNED THE CREDIT MUST  
27 ENTER INTO AN AGREEMENT THAT:

1 (A) INCLUDES THE [REDACTED] HVAC CONTRACTOR'S WRITTEN  
2 CERTIFICATION TO COMPLY WITH THIS SECTION; AND

3 (B) AFFIRMS THAT THE REQUIREMENTS OF SUBSECTION (5)(a) OF  
4 THIS SECTION WERE MET.

5 (II) THE TAXPAYER, INVESTOR, OR FINANCING ENTITY BEING  
6 ASSIGNED THE CREDIT MAY AUTHORIZE AN AGENT OR A DESIGNEE TO SIGN  
7 THE AGREEMENT DESCRIBED IN SUBSECTION (5)(c)(I) OF THIS SECTION ON  
8 THE TAXPAYER'S, INVESTOR'S, OR FINANCING ENTITY'S BEHALF.

9 (d) THE TAXPAYER, INVESTOR, OR FINANCING ENTITY BEING  
10 ASSIGNED THE CREDIT SHALL:

11 (I) ELECTRONICALLY SUBMIT A REPORT CONTAINING THE  
12 INFORMATION REQUIRED IN THE AGREEMENT DESCRIBED IN SUBSECTION  
13 (5)(c)(I) OF THIS SECTION TO THE DEPARTMENT WITHIN THIRTY DAYS  
14 AFTER THE INSTALLATION OF AN ELIGIBLE COLD-CLIMATE HEAT PUMP OR  
15 GROUND-SOURCE HEAT PUMP IN A FORM AND MANNER DETERMINED BY  
16 THE DEPARTMENT; AND

17 (II) FILE THE AGREEMENT DESCRIBED IN SUBSECTION (5)(c)(I) OF  
18 THIS SECTION WITH THE ORIGINAL TAX RETURN FOR THE TAXABLE YEAR IN  
19 WHICH THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE  
20 HEAT PUMP IS INSTALLED.

21 (6) IF A CREDIT AUTHORIZED BY THIS SECTION EXCEEDS THE  
22 INCOME TAX DUE ON THE INCOME OF THE TAXPAYER, INVESTOR, OR  
23 FINANCING ENTITY FOR THE TAXABLE YEAR, THE EXCESS CREDIT MAY NOT  
24 BE CARRIED FORWARD AND MUST BE REFUNDED TO THE TAXPAYER,  
25 INVESTOR, OR FINANCING ENTITY.

26 (7) THE [REDACTED] DEPARTMENT MAY ESTABLISH GUIDELINES TO  
27 IMPLEMENT THIS SECTION. ANY GUIDELINES ESTABLISHED BY THE [REDACTED]

1 DEPARTMENT MUST BE POSTED ON THE DEPARTMENT'S WEBSITE.

2

3 (8) THE DEPARTMENT SHALL MAINTAIN A DATABASE OF ANY  
4 INFORMATION NECESSARY TO EVALUATE THE EFFECTIVENESS OF THE TAX  
5 CREDIT ALLOWED IN THIS SECTION IN MEETING THE PURPOSES SET FORTH  
6 IN SUBSECTION (1)(b) OF THIS SECTION AND SHALL PROVIDE SUCH  
7 INFORMATION, AND ANY OTHER INFORMATION THAT MAY BE NEEDED, TO  
8 THE STATE AUDITOR AS PART OF THE STATE AUDITOR'S EVALUATION OF  
9 THIS TAX EXPENDITURE PURSUANT TO SECTION 39-21-305.

10 (9) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2040.

11 **SECTION 5.** In Colorado Revised Statutes, 39-22-554, **amend**  
12 (2)(a), (2)(g), (2)(j), (2)(l), (2)(p), (2)(q), (3)(a), (3)(b), (3)(c), (3)(f), (4),  
13 (5)(a) introductory portion, (5)(a)(I), (5)(a)(II), (5)(a)(III), (5)(a)(V),  
14 (5)(b), (5)(d)(I) introductory portion, and (5)(d)(II); **repeal** (2)(b), (2)(f),  
15 and (5)(d)(I)(A); and **add** (2)(c.5), (2)(d.5), (2)(i.5), (2)(k.3), (2)(k.7), and  
16 (5)(a)(III.5) as follows:

17 **39-22-554. Heat pump technology and thermal energy**  
18 **network tax credit - tax preference performance statement -**  
19 **definitions - repeal.** (2) **Definitions.** As used in this section, unless the  
20 context otherwise requires:

21 (a) ~~(f)~~ "Air-source heat pump system" means a system that:

22 ~~(A) (I) Is certified pursuant to the federal environmental~~  
23 ~~protection agency's energy star program~~ EITHER A STANDARD AIR-SOURCE  
24 HEAT PUMP OR A COLD-CLIMATE HEAT PUMP;

25 ~~(B) Has a variable speed compressor; and~~

26 (II) CONFORMS TO ALL APPLICABLE MUNICIPAL, STATE, AND  
27 FEDERAL CODES, STANDARDS, REGULATIONS, AND CERTIFICATIONS;

1 (III) IS INSTALLED IN ACCORDANCE WITH THE MANUFACTURER'S  
2 SPECIFICATIONS;

3 ~~(C)~~ (IV) Is listed in the Air-conditioning, Heating, and  
4 Refrigeration Institute directory of certified product performance as a  
5 matched system;

6 (V) IN THE CASE OF RESIDENTIAL INSTALLATIONS, IS SIZED BASED  
7 ON BUILDING LOADS CALCULATED IN ACCORDANCE WITH THE LATEST  
8 EDITION OF "MANUAL J - RESIDENTIAL LOAD CALCULATION", PUBLISHED  
9 BY THE AIR CONDITIONING CONTRACTORS OF AMERICA;

10 (VI) INCLUDES PRINTED INFORMATION GIVEN TO THE PROPERTY  
11 OWNER AND ATTACHED TO THE HEAT PUMP DESCRIBING THE HEAT PUMP  
12 MODEL'S PERFORMANCE IN COLD TEMPERATURES AND THE APPLICABILITY  
13 OF ANY SUPPLEMENTAL HEAT; AND

14 (VII) INCLUDES A MAXIMUM OF ONE AND ONE-HALF KILOWATTS  
15 OF SUPPLEMENTAL ELECTRIC RESISTANCE HEATING PER TON OF THERMAL  
16 ENERGY, OR THE SMALLEST AMOUNT AVAILABLE, FOR THE APPLICABLE  
17 HEAT PUMP, WHICHEVER IS GREATER.

18 ~~(H) "Air-source heat pump system" may include supplemental~~  
19 ~~heat so long as:~~

20 ~~(A) The air-source heat pump is used as the primary source of a~~  
21 ~~building's heat and is designed to supply at least eighty percent of total~~  
22 ~~annual heating for the building; and~~

23 ~~(B) The system is capable of distributing produced heat to all~~  
24 ~~conditioned areas of the building.~~

25 ~~(H) "Air-source heat pump system" includes mechanical and~~  
26 ~~electrical equipment central to the operation of an air-source heat pump,~~  
27 ~~including an upgraded electrical panel if necessary.~~

1           (b) ~~"Applicable percentage" means a percentage annually~~  
2 ~~established by the office as specified in subsection (4) of this section.~~

3           (c.5) "COLD-CLIMATE HEAT PUMP" MEANS A TYPE OF AIR-SOURCE  
4 HEAT PUMP SYSTEM THAT:

5           (I) MEETS THE QUALIFICATION CRITERIA OF THE FEDERAL  
6 ENVIRONMENTAL PROTECTION AGENCY'S ENERGY STAR PROGRAM'S  
7 COLD-CLIMATE HEAT PUMP DESIGNATION OR MEETS THE HIGHEST TIER OF  
8 THE CONSORTIUM FOR ENERGY EFFICIENCY'S NORTHERN AIR-SOURCE  
9 HEAT PUMP SPECIFICATIONS, NOT INCLUDING AN ADVANCED TIER; AND

10          (II) IS INSTALLED WITH CONTROLS THAT SET A CROSSOVER  
11 TEMPERATURE NO HIGHER THAN FIVE DEGREES FAHRENHEIT.

12          (d.5) "CROSSOVER TEMPERATURE" MEANS THE POINT THAT A  
13 HEAT-PUMP-BASED HVAC SYSTEM SWITCHES EITHER PARTIALLY OR  
14 FULLY FROM THE HEAT PUMP TO A SUPPLEMENTARY HEATING SOURCE.

15          (f) ~~"Eligible taxpayer" means a taxpayer that meets the~~  
16 ~~requirements for and is included on the list of eligible taxpayers described~~  
17 ~~in subsection (5) of this section.~~

18          (g) ~~(H)~~ "Ground-source heat pump system" means a system that:

19          ~~(A)~~ (I) Is certified pursuant to the federal environmental  
20 protection agency's Energy Star program;

21          ~~(B)~~ (II) Conforms to all applicable municipal, state, and federal  
22 codes, standards, regulations, and certifications;

23          ~~(C)~~ (III) Has blowers that are variable speed OR MULTISPEED,  
24 high-efficiency motors that meet or exceed efficiency levels listed in the  
25 National Electrical Manufacturers Association MG 1-1993 publication;  
26 and

27          ~~(D)~~ (IV) Complies with all state and local drinking water

1 guidelines and regulations and public water system requirements; AND

2 (V) IN THE CASE OF RESIDENTIAL INSTALLATIONS, IS BASED ON  
3 BUILDING LOADS CALCULATED IN ACCORDANCE WITH THE LATEST EDITION  
4 OF "MANUAL J - RESIDENTIAL LOAD CALCULATION", PUBLISHED BY THE  
5 AIR CONDITIONING CONTRACTORS OF AMERICA.

6 (H) "Ground-source heat pump system" may include supplemental  
7 heat so long as:

8 (A) ~~The ground-source heat pump is used as the primary source~~  
9 ~~of a building's heat and is designed to supply at least eighty percent of~~  
10 ~~total annual heating for the building; and~~

11 (B) ~~The system is capable of distributing produced heat to all~~  
12 ~~conditioned areas of the building.~~

13 (HH) ~~"Ground-source heat pump system" includes mechanical and~~  
14 ~~electrical equipment central to the operation of a ground-source heat~~  
15 ~~pump, including an upgraded electrical panel if necessary.~~

16 (IV) ~~"Ground-source heat pump system" may include a heat~~  
17 ~~exchanger for water heating.~~

18 (i.5) "HVAC CONTRACTOR" HAS THE MEANING SET FORTH IN  
19 SECTION 39-22-554.5 (2).

20 (j) "List" means the list of eligible taxpayers QUALIFIED  
21 CONTRACTORS created by the office as specified in subsection (5) of this  
22 section.

23 (k.3) "QUALIFIED CONTRACTOR" MEANS AN HVAC CONTRACTOR  
24 THAT MEETS THE REQUIREMENTS FOR AND IS INCLUDED ON THE LIST OF  
25 QUALIFIED CONTRACTORS DESCRIBED IN SUBSECTION (5) OF THIS SECTION.

26 (k.7) "STANDARD AIR-SOURCE HEAT PUMP" MEANS A TYPE OF HEAT  
27 PUMP THAT IS CERTIFIED PURSUANT TO THE FEDERAL ENVIRONMENTAL

1 PROTECTION AGENCY'S ENERGY STAR PROGRAM AND IS NOT A  
2 COLD-CLIMATE HEAT PUMP.

3 (l) (I) "Taxpayer" means a person subject to tax pursuant to this  
4 article 22 or a person or political subdivision of this state that is exempt  
5 from tax pursuant to section 39-22-112 (1).

6 (II) "TAXPAYER" DOES NOT INCLUDE A FOR-PROFIT HOME BUILDER  
7 OR DEVELOPER.

8 (p) (H) "Variable refrigerant flow heat pump system" means a  
9 system that:

10 (A) (I) Is certified pursuant to the federal environmental  
11 protection agency's Energy Star program OR MEETS THE QUALIFICATION  
12 CRITERIA OF THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY'S  
13 ENERGY STAR PROGRAM'S COLD-CLIMATE LIGHT COMMERCIAL HEAT PUMP  
14 DESIGNATION;

15 (B) (II) Conforms to all applicable municipal, state, and federal  
16 codes, standards, regulations, and certifications;

17 (C) (III) Has blowers that are variable speed OR MULTISPEED,  
18 high-efficiency motors that meet or exceed efficiency levels listed in the  
19 National Electrical Manufacturers Association MGI-1993 MG 1-1993  
20 publication; and

21 (D) (IV) Complies with all state and local drinking water  
22 guidelines and regulations and public water system and wastewater  
23 system requirements.

24 (H) "Variable refrigerant flow system" may include supplemental  
25 heat so long as:

26 (A) The variable refrigerant flow system is used as the primary  
27 source of a building's heat and is designed to supply at least eighty

1 percent of the total annual heating for the building; and

2 ~~(B) The system is capable of distributing produced heat to all~~  
3 ~~conditioned areas of the building.~~

4 ~~(H) "Variable refrigerant flow system" includes mechanical and~~  
5 ~~electrical equipment central to the operation of a variable refrigerant flow~~  
6 ~~system.~~

7 (q) ~~(H)~~ "Water-source heat pump system" means a system that:

8 ~~(A)~~ (I) Is certified pursuant to the federal environmental  
9 protection agency's Energy Star program;

10 ~~(B)~~ (II) Conforms to all applicable municipal, state, and federal  
11 codes, standards, regulations, and certifications;

12 ~~(C)~~ (III) Has blowers that are variable speed OR MULTISPEED,  
13 high-efficiency motors that meet or exceed efficiency levels listed in the  
14 National Electrical Manufacturers Association MG 1-1993 publication;  
15 and

16 ~~(D)~~ (IV) Complies with all state and local drinking water  
17 guidelines and regulations and public water system and wastewater  
18 system requirements.

19 ~~(H) "Water-source heat pump system" may include supplemental~~  
20 ~~heat so long as:~~

21 ~~(A) The water-source heat pump is used as the primary source of~~  
22 ~~a building's heat and is designed to supply at least eighty percent of the~~  
23 ~~total annual heating for the building; and~~

24 ~~(B) The system is capable of distributing produced heat to all~~  
25 ~~conditioned areas of the building.~~

26 ~~(H) "Water-source heat pump system" includes mechanical and~~  
27 ~~electrical equipment central to the operation of a water-source heat pump.~~

1           (3) (a) For income tax years commencing on or after January 1,  
2 2024, but before January 1, 2033, ~~an eligible~~ A taxpayer that installs  
3 PURCHASES NEW RETAIL heat pump technology in a building in the state,  
4 on a campus in the state, or develops, through purchase and installation  
5 of necessary equipment, a thermal energy network OR A NEW THERMAL  
6 ENERGY NETWORK FOR PROPERTY in the state is allowed a credit against  
7 the tax imposed under this article 22 in an amount set forth in subsection  
8 (3)(c) of this section in the tax year that the RETAIL heat pump technology  
9 or NEW thermal energy network is placed into service.

10           (b) In order to qualify for the tax credit allowed under this section,  
11 ~~the eligible taxpayer shall provide a discount from the amount charged for~~  
12 ~~the installation of heat pump technology or a thermal energy network in~~  
13 ~~an amount equal to the amount of the credit set forth in subsection (3)(c)~~  
14 ~~of this section minus the applicable percentage of the credit, and shall~~  
15 ~~show the discount as a separate item on the receipt or invoice; except that~~  
16 ~~the requirement in this subsection (3)(b) does not apply to an eligible~~  
17 ~~taxpayer who installs their own heat pump technology or thermal energy~~  
18 ~~network~~ THE NEW RETAIL HEAT PUMP TECHNOLOGY OR NEW THERMAL  
19 ENERGY NETWORK MUST BE INSTALLED BY A QUALIFIED CONTRACTOR.

20           (c) Subject to the modifications set forth in subsection (3)(d)  
21 of this section and the annual review required pursuant to subsection  
22 (3)(e) of this section and except as otherwise provided in subsection (3)(f)  
23 of this section, the amount of the credit allowed pursuant to this section  
24 is calculated as follows:

25           (I) For the installation of ~~an air-source~~ A STANDARD heat pump  
26 system or a variable refrigerant flow heat system, SEVEN HUNDRED FIFTY  
27 DOLLARS PER TON OF THERMAL ENERGY;

1           ~~(A) For tax years commencing on or after January 1, 2024, but~~  
2 ~~before January 1, 2026, one thousand five hundred dollars;~~

3           ~~(B) For tax years commencing on or after January 1, 2026, but~~  
4 ~~before January 1, 2029, one thousand dollars; and~~

5           ~~(C) For tax years commencing on or after January 1, 2029, but~~  
6 ~~before January 1, 2033, five hundred dollars;~~

7           (II) For the installation of a COLD-CLIMATE HEAT PUMP, A  
8 ground-source heat pump system, A water-source heat pump system, a  
9 combined air-source and ground-source heat pump system, a combined  
10 water-source and ground-source heat pump system, a combined variable  
11 refrigerant flow and ground-source heat pump system, or a combined  
12 variable refrigerant flow and water-source heat pump system, ONE  
13 THOUSAND FIVE HUNDRED DOLLARS PER TON OF THERMAL ENERGY; AND

14           ~~(A) For tax years commencing on or after January 1, 2024, but~~  
15 ~~before January 1, 2026, three thousand dollars;~~

16           ~~(B) For tax years commencing on or after January 1, 2026, but~~  
17 ~~before January 1, 2029, two thousand dollars; and~~

18           ~~(C) For tax years commencing on or after January 1, 2029, but~~  
19 ~~before January 1, 2033, one thousand dollars; and~~

20           (III) For the installation of a heat pump water heater, FIVE  
21 HUNDRED DOLLARS.

22           ~~(A) For tax years commencing on or after January 1, 2024, but~~  
23 ~~before January 1, 2026, five hundred dollars; and~~

24           ~~(B) For tax years commencing on or after January 1, 2026, but~~  
25 ~~before January 1, 2033, two hundred fifty dollars.~~

26           (f) If the June 2025 revenue forecast, and each June revenue  
27 forecast through the June 2031 revenue forecast as prepared by either

1 legislative council staff or the office of state planning and budgeting,  
2 projects that state revenues, as defined in section 24-77-103.6 (6)(c), will  
3 not increase by at least four percent for the next STATE fiscal year, the  
4 amount of the credit allowed pursuant to subsection ~~(3)(c)(I)(B)~~;  
5 ~~(3)(c)(I)(C), (3)(c)(II)(B), (3)(c)(II)(C), or (3)(c)(III)(B)~~ (3)(c) of this  
6 section, as may be modified by subsections (3)(d) and (3)(e) of this  
7 section, for any tax year commencing in the calendar year that begins  
8 during said next STATE fiscal year is reduced by fifty percent if the heat  
9 pump technology is installed at an existing residential or nonresidential  
10 building; except that, if the amount of the reduced credit is equal to or  
11 less than two hundred fifty dollars, then no credit is available for such a  
12 tax year.

13 ~~(4) An eligible taxpayer may retain an applicable percentage of~~  
14 ~~the amount of the tax credit allowed under subsection (3)(c) of this~~  
15 ~~section to support the industry-wide adoption and deployment of heat~~  
16 ~~pump technologies in the state. The office shall annually determine the~~  
17 ~~applicable percentage, which must be the same for each eligible taxpayer,~~  
18 ~~pursuant to guidelines established by the office. The office shall maintain~~  
19 ~~the current applicable percentage on its website and shall provide the~~  
20 ~~applicable percentage in writing to the department no later than December~~  
21 ~~31, 2023, and each December 31 thereafter through December 31, 2031.~~

22 ~~A PROJECT IN A MULTIFAMILY PROPERTY THAT CONTAINS TWENTY~~  
23 ~~THOUSAND SQUARE FEET OR MORE OF CONDITIONED FLOOR SPACE AND FOR~~  
24 ~~WHICH A CREDIT IS CLAIMED MUST EXCLUSIVELY USE CONTRACTORS THAT~~  
25 ~~PARTICIPATE IN APPRENTICESHIP PROGRAMS REGISTERED WITH THE~~  
26 ~~UNITED STATES DEPARTMENT OF LABOR'S EMPLOYMENT AND TRAINING~~  
27 ~~ADMINISTRATION OR WITH A STATE APPRENTICESHIP COUNCIL RECOGNIZED~~

1 BY THE UNITED STATES DEPARTMENT OF LABOR FOR ANY NECESSARY  
2 PLUMBING OR ELECTRICAL WORK. THIS SUBSECTION (4) DOES NOT APPLY  
3 TO A PROJECT THAT IS LIMITED TO IN-UNIT WORK IN A MULTIFAMILY  
4 PROPERTY, AS UNDERTAKEN BY THE OWNER OR TENANT OF THE  
5 MULTIFAMILY PROPERTY OR UNIT.

6 (5) (a) The office shall create, and update at least annually, a list  
7 containing the names and contact information of ~~eligible taxpayers~~  
8 QUALIFIED CONTRACTORS. To become ~~an eligible taxpayer~~ A QUALIFIED  
9 CONTRACTOR, and be included on the list described in this subsection (5),  
10 a ~~taxpayer~~ CONTRACTOR shall demonstrate to the office that the ~~taxpayer~~  
11 ~~and any of its employees who will be installing heat pump technology or~~  
12 ~~thermal energy networks~~ CONTRACTOR:

13 (I) ~~Are~~ IS licensed as required by the state;

14 (II) ~~Are~~ IS knowledgeable of AND AGREES TO FOLLOW the relevant  
15 system requirements set forth in subsections (2)(a), ~~(2)(c.5)~~, (2)(g), (2)(h),  
16 (2)(i), ~~(2)(k.7)~~, (2)(m), (2)(n), (2)(p), and (2)(q) of this section;

17 (III) ~~Will install heat pump technology and thermal energy~~  
18 ~~networks in accordance with the national electric code and manufacturer's~~  
19 ~~specifications;~~

20 (III.5) HAS ATTENDED A MANUFACTURER, DISTRIBUTOR, OR  
21 UTILITY-SPONSORED TRAINING SESSION THAT INCLUDES THE PROPER  
22 SIZING AND SELECTION OF HEAT PUMPS, INCLUDING COLD-CLIMATE HEAT  
23 PUMPS;

24 (V) Will meet any additional standards established by the office  
25 in its guidelines. ~~including, if applicable, the 2021 international energy~~  
26 ~~conservation code.~~

27 (b) The office shall, in a sufficiently timely manner to allow the

1 department to process returns claiming the income tax credit allowed in  
2 this section, annually provide a secure electronic copy of the list  
3 described in subsection (5)(a) of this section to the department that  
4 includes the social security number or Colorado account number and  
5 federal employer identification number of each ~~eligible taxpayer~~  
6 QUALIFIED CONTRACTOR.

7 (d) (I) Every ~~eligible taxpayer~~ QUALIFIED CONTRACTOR shall keep  
8 and maintain for a period of four years such books and records as may be  
9 necessary to determine that:

10 (A) ~~It is an eligible taxpayer;~~

11 (II) (A) The office shall ~~annually~~ PERIODICALLY examine a sample  
12 of the ~~eligible taxpayers~~ QUALIFIED CONTRACTORS on the list described  
13 in this subsection (5) to substantiate that the ~~eligible taxpayers~~ QUALIFIED  
14 CONTRACTORS are meeting the office's standards. ~~and properly claiming~~  
15 ~~the credit allowed by this section.~~ Every ~~eligible taxpayer~~ QUALIFIED  
16 CONTRACTOR shall produce the books and records described in subsection  
17 (5)(d)(I) of this section for examination at any time by the office.

18 (B) If the office determines that ~~an eligible taxpayer~~ A QUALIFIED  
19 CONTRACTOR is no longer meeting the standards, the office shall notify  
20 the ~~taxpayer~~ QUALIFIED CONTRACTOR in writing that ~~they are~~ THE  
21 QUALIFIED CONTRACTOR IS no longer eligible, remove the ineligible  
22 ~~taxpayer~~ QUALIFIED CONTRACTOR from the list, update the list on its  
23 website, and promptly notify the department in writing of its decision.

24 (C) ~~If the office determines that a taxpayer was not eligible for all~~  
25 ~~or part of the credit claimed, the office shall notify the department in~~  
26 ~~writing of its decision. The department shall issue the taxpayer a notice~~  
27 ~~of deficiency for the unpaid tax owed, together with applicable penalties~~

1 and interest, and proceed to collect the deficiency in the same manner as  
2 other tax deficiencies.

3 SECTION 6. In Colorado Revised Statutes, 39-26-732, amend  
4 (2)(a), (2)(b), (2)(e), and (2)(f) as follows:

5 39-26-732. Heat pump systems - tax preference performance  
6 statement - legislative declaration - definitions - repeal. (2) As used  
7 in this section, unless the context otherwise requires:

8 (a) ~~(f)~~ "Air-source heat pump system" means a system that: HAS  
9 THE MEANING SET FORTH IN SECTION 39-22-554 (2).

10 ~~(A) Is certified pursuant to the federal environmental protection  
11 agency's energy star program;~~

12 ~~(B) Has a variable speed compressor;~~

13 ~~(C) Is listed in the air-conditioning, heating, and refrigeration  
14 institute directory of certified product performance as a matched system;  
15 and~~

16 ~~(D) Is installed by a licensed contractor, plumber, or employee of  
17 a gas utility in accordance with the national electrical code and the  
18 manufacturer's specifications.~~

19 ~~(H) "Air-source heat pump system" may include an electric  
20 resistance heating element or a dual fuel system for supplemental heat so  
21 long as:~~

22 ~~(A) The air-source heat pump is used as the primary source of a  
23 building's heat and is designed to supply at least eighty percent of total  
24 annual heating for the building;~~

25 ~~(B) The system is capable of distributing produced heat to all  
26 conditioned areas of the building;~~

27 ~~(C) The dual fuel 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 the NITC R78 brazing procedure; and~~

4 ~~(E) The system is installed by technicians that are trained on the~~  
5 ~~safe handling of flammable refrigerants.~~

6 ~~(H) "Air-source heat pump system" includes mechanical and~~  
7 ~~electrical equipment central to the operation of an air-source heat pump;~~  
8 ~~including an upgraded electrical panel if necessary.~~

9 (b) ~~(F) "Ground-source heat pump system" means a system that:~~  
10 ~~HAS THE MEANING SET FORTH IN SECTION 39-22-554 (2).~~

11 ~~(A) Is certified to the international organization for~~  
12 ~~standardization's latest standards;~~

13 ~~(B) Is installed by a licensed contractor, plumber, or employee of~~  
14 ~~a gas utility in accordance with the national electric code and~~  
15 ~~manufacturer's specifications;~~

16 ~~(C) Conforms to all applicable municipal, state, and federal codes,~~  
17 ~~standards, regulations, and certifications;~~

18 ~~(D) Has blowers that are variable speed, high-efficiency motors~~  
19 ~~that meet or exceed efficiency levels listed in the national electrical~~  
20 ~~manufacturers association MG1-1993 publication; and~~

21 ~~(E) Complies with all state and local drinking water guidelines~~  
22 ~~and regulations and public water system requirements.~~

23 ~~(H) "Ground-source heat pump system" may include a dual fuel~~  
24 ~~system so long as:~~

25 ~~(A) The ground-source heat pump is used as the primary source~~  
26 ~~of a building's heat and is designed to supply at least eighty percent of~~  
27 ~~total annual heating for the building;~~

1           ~~(B) The system is capable of distributing produced heat to all~~  
2           ~~conditioned areas of the building;~~

3           ~~(C) The furnace has an annual fuel utilization efficiency rating of~~  
4           ~~ninety percent or higher;~~

5           ~~(D) All piping for a split system is installed by technicians~~  
6           ~~certified to the NITC R78 brazing procedure; and~~

7           ~~(E) The system is installed by technicians that are trained on the~~  
8           ~~safe handling of flammable refrigerants.~~

9           ~~(H) "Ground-source heat pump system" includes mechanical and~~  
10           ~~electrical equipment central to the operation of a ground-source heat~~  
11           ~~pump, including an upgraded electrical panel if necessary.~~

12           ~~(I) "Ground-source heat pump system" may include a heat~~  
13           ~~exchanger for water heating.~~

14           ~~(e) (f) "Water-source heat pump system" means a system that: HAS~~  
15           ~~THE MEANING SET FORTH IN SECTION 39-22-554 (2).~~

16           ~~(A) Is certified to the international organization for~~  
17           ~~standardization's latest standards;~~

18           ~~(B) Is installed by a licensed contractor, plumber, or employee of~~  
19           ~~a gas or wastewater utility in accordance with the national electric code~~  
20           ~~and manufacturer's specifications;~~

21           ~~(C) Conforms to all applicable municipal, state, and federal codes,~~  
22           ~~standards, regulations, and certifications;~~

23           ~~(D) Has blowers that are variable speed, high-efficiency motors~~  
24           ~~that meet or exceed efficiency levels listed in the national electrical~~  
25           ~~manufacturers association MG1-1993 publication; and~~

26           ~~(E) Complies with all state and local drinking water guidelines~~  
27           ~~and regulations and public water system and wastewater system~~

1 requirements:

2 ~~(H) "Water-source heat pump system" may include a dual fuel~~  
3 ~~system so long as:~~

4 ~~(A) The water-source heat pump is used as the primary source of~~  
5 ~~a building's heat and is designed to supply at least eighty percent of the~~  
6 ~~total annual heating for the building;~~

7 ~~(B) The system is capable of distributing produced heat to all~~  
8 ~~conditioned areas of the building;~~

9 ~~(C) The furnace has an annual fuel utilization efficiency rating of~~  
10 ~~ninety percent or higher;~~

11 ~~(D) All piping for a split system is installed by technicians~~  
12 ~~certified to the NITC R78 brazing procedure; and~~

13 ~~(E) The system is installed by technicians who are trained in the~~  
14 ~~safe handling of flammable refrigerants.~~

15 ~~(H) "Water-source heat pump system" includes mechanical and~~  
16 ~~electrical equipment central to the operation of a water-source heat pump.~~

17 ~~(f) (H) "Variable refrigerant flow heat pump system" means a~~  
18 ~~system that: HAS THE MEANING SET FORTH IN SECTION 39-22-554 (2).~~

19 ~~(A) Is certified to the international organization for~~  
20 ~~standardization's latest standards;~~

21 ~~(B) Is installed by a licensed contractor, plumber, or employee of~~  
22 ~~a gas or wastewater utility in accordance with the national electric code~~  
23 ~~and manufacturer's specifications;~~

24 ~~(C) Conforms to all applicable municipal, state, and federal codes,~~  
25 ~~standards, regulations, and certifications;~~

26 ~~(D) Has blowers that are variable speed, high-efficiency motors~~  
27 ~~that meet or exceed efficiency levels listed in the national electrical~~

- 1 manufacturers association MGI-1993 publication; and
- 2 ~~(E) Complies with all state and local drinking water guidelines~~  
3 ~~and regulations and public water system and wastewater system~~  
4 ~~requirements.~~
- 5 ~~(H) "Variable refrigerant flow system" may include a dual fuel~~  
6 ~~system so long as:~~
- 7 ~~(A) The variable refrigerant flow system is used as the primary~~  
8 ~~source of a building's heat and is designed to supply at least eighty~~  
9 ~~percent of the total annual heating for the building;~~
- 10 ~~(B) The system is capable of distributing produced heat to all~~  
11 ~~conditioned areas of the building;~~
- 12 ~~(C) The furnace has an annual fuel utilization efficiency rating of~~  
13 ~~ninety percent or higher;~~
- 14 ~~(D) All piping for a split system is installed by technicians~~  
15 ~~certified to the NITC R78 brazing procedure; and~~
- 16 ~~(E) The system is installed by technicians who are trained in the~~  
17 ~~safe handling of flammable refrigerants.~~
- 18 ~~(H) "Variable refrigerant flow system" includes mechanical and~~  
19 ~~electrical equipment central to the operation of a variable refrigerant flow~~  
20 ~~system.~~

21 

22 **SECTION 7.** In Colorado Revised Statutes, **add** 40-3.2-110 as  
23 follows:

24 **40-3.2-110. Requirements related to heat pumps - definitions.**

25 (1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
26 REQUIRES, "HEAT PUMP" MEANS AN ELECTRICALLY POWERED DEVICE THAT  
27 USES THE REFRIGERATION CYCLE TO TRANSFER THERMAL ENERGY FROM

1 ONE LOCATION TO ANOTHER.

2 (2) ON OR BEFORE AUGUST 1, 2027, AN INVESTOR-OWNED UTILITY  
3 THAT PROVIDES ELECTRIC OR THERMAL ENERGY SHALL, WITHIN ITS NEXT  
4 GENERAL RATE CASE REQUEST, SUBMIT TO THE COMMISSION A PROPOSAL  
5 FOR A VOLUNTARY RATE OR RATES FOR ENERGY SUPPLIED TO RESIDENTIAL  
6 CUSTOMERS WHO UTILIZE A HEAT PUMP AS THEIR PRIMARY HEATING  
7 SOURCE, WHICH VOLUNTARY RATE OR RATES:

8 (a) MAY BE A NEW RATE, A NEW OR AN EXISTING RIDER, OR  
9 INCORPORATED INTO AN EXISTING TIME-OF-USE RATE;

10 (b) IF COST-JUSTIFIED, ARE DESIGNED TO LOWER THE AVERAGE  
11 MONTHLY ENERGY BILL OF RESIDENTIAL CUSTOMERS WHO UTILIZE A HEAT  
12 PUMP AS THEIR PRIMARY HEATING SOURCE; AND

13 (c) AVOID CROSS-SUBSIDIES FROM OTHER CUSTOMERS.

14 (3) ON OR BEFORE JANUARY 1, 2028, THE COMMISSION SHALL  
15 OPEN A MISCELLANEOUS PROCEEDING, OR ADDRESS IN AN EXISTING  
16 MISCELLANEOUS PROCEEDING, THE APPROPRIATE MECHANISMS TO  
17 PROMOTE REVENUE STABILITY FOR INVESTOR-OWNED UTILITIES THAT  
18 SUPPLY NATURAL GAS, WHICH MECHANISMS MAY INCLUDE REVENUE  
19 DECOUPLING OR RATE DESIGN OPTIONS.

20 **SECTION 8.** In Colorado Revised Statutes, **add** article 7.7 to title  
21 6 as follows:

22 **ARTICLE 7.7**

23 **Standards for Construction Projects**

24 **that Receive State Financial Assistance**

25 **6-7.7-101. Legislative declaration.** (1) THE GENERAL ASSEMBLY  
26 FINDS THAT:

27 (a) APPLIANCES CERTIFIED BY THE ENERGY STAR PROGRAM MEET

1 STRICT ENERGY EFFICIENCY AND PERFORMANCE GUIDELINES SET BY THE  
2 FEDERAL ENVIRONMENTAL PROTECTION AGENCY AND THE UNITED STATES  
3 DEPARTMENT OF ENERGY AND CAN SAVE AN ESTIMATED TWENTY TO  
4 THIRTY PERCENT MORE ENERGY THAN APPLIANCES THAT ARE NOT  
5 CERTIFIED BY THE ENERGY STAR PROGRAM;

6 (b) NEW BUILDING CONSTRUCTION PROJECTS THAT USE TAXPAYER  
7 DOLLARS TO PURCHASE EQUIPMENT SHOULD ENSURE THAT THE EQUIPMENT  
8 HAS LOWER LIFETIME COSTS TO OPERATE AND MAINTAIN;

9 (c) MANY PROJECTS THAT RECEIVE STATE FINANCIAL ASSISTANCE  
10 AIM TO ASSIST VULNERABLE LOWER-INCOME HOUSEHOLDS, AND  
11 INSTALLING APPLIANCES CERTIFIED BY THE ENERGY STAR PROGRAM  
12 COULD LOWER THE COSTS OF THE ENERGY BILLS OF THESE HOUSEHOLDS  
13 OVER TIME; AND

14 (d) SAVING ENERGY IS CRUCIAL IN:

15 (I) AVOIDING THE MOST SERIOUS EFFECTS OF CLIMATE CHANGE  
16 AND PRESERVING COLORADO'S WAY OF LIFE, THE HEALTH OF  
17 COMMUNITIES, AND THE NATURAL ENVIRONMENT;

18 (II) ACHIEVING THE STATEWIDE GREENHOUSE GAS EMISSION  
19 REDUCTION GOALS; AND

20 (III) REDUCING COSTS FOR COLORADANS.

21 (2) THE GENERAL ASSEMBLY THEREFORE DETERMINES AND  
22 DECLARES THAT IT IS IN THE PUBLIC INTEREST OF THE HEALTH AND  
23 ENVIRONMENT OF THE STATE TO REQUIRE THAT NEW BUILDING  
24 CONSTRUCTION PROJECTS THAT RECEIVE STATE FINANCIAL ASSISTANCE  
25 USE COVERED ENERGY-CONSUMING PRODUCTS THAT ARE CERTIFIED BY  
26 THE ENERGY STAR PROGRAM.

27 **6-7.7-102. Definitions.** AS USED IN THIS ARTICLE 7.7, UNLESS THE

1 CONTEXT OTHERWISE REQUIRES:

2 (1) "COVERED ENERGY-CONSUMING PRODUCT" MEANS AN  
3 APPLIANCE, DEVICE, OR PIECE OF EQUIPMENT THAT IS:

4 (a) POWERED BY ELECTRICITY OR FUEL;

5 (b) DESIGNED TO PERFORM ONE OR MORE SPECIFIC TASKS INSIDE  
6 A RESIDENTIAL OR COMMERCIAL BUILDING, SUCH AS COOKING, WASHING,  
7 DRYING, HEATING, COOLING, PROVIDING DOMESTIC HOT WATER, PRINTING,  
8 OR DIGITAL ENTERTAINMENT; AND

9 (c) COVERED WITHIN THE SCOPE OF THE ENERGY STAR PROGRAM.

10 (2) "ENERGY STAR PROGRAM" MEANS THE FEDERAL PROGRAM  
11 AUTHORIZED BY 42 U.S.C. SEC. 6294a, AS AMENDED.

12

13 (3) "SOCIAL COST OF CARBON" MEANS THE SOCIAL COST OF  
14 CARBON DIOXIDE DEVELOPED BY THE PUBLIC UTILITIES COMMISSION  
15 PURSUANT TO SECTION 40-3.2-106.

16 (4) "STATE FINANCIAL ASSISTANCE" MEANS ALLOCATIONS FROM  
17 THE GENERAL FUND OR OTHER LEGISLATIVE ALLOCATIONS, TAX CREDITS,  
18 TAX EXEMPTIONS, STATE TAXPAYER FUNDS, REBATES, GRANTS, OR LOANS  
19 PROVIDED OR ADMINISTERED BY THE STATE.

20 **6-7.7-103. Energy-efficiency standards for certain building**  
21 **construction projects that receive state financial assistance - record**  
22 **retention requirements - waivers - exemptions - standardized**  
23 **resources - enforcement - civil penalties. (1) ON AND AFTER JANUARY**  
24 **1, 2025, EXCEPT AS SET FORTH IN SUBSECTION (3) OR (4) OF THIS SECTION,**  
25 **RECIPIENTS OF STATE FINANCIAL ASSISTANCE FOR NEW BUILDING**  
26 **CONSTRUCTION PROJECTS THAT INCLUDE THE SPECIFICATION, PROVISION,**  
27 **OR PURCHASE OF COVERED ENERGY-CONSUMING PRODUCTS SHALL USE**

1 COVERED ENERGY-CONSUMING PRODUCTS CERTIFIED BY THE ENERGY  
2 STAR PROGRAM.

3 (2) ON AND AFTER JANUARY 1, 2025, A STATE AGENCY THAT  
4 PROVIDES OR ADMINISTERS STATE FINANCIAL ASSISTANCE FOR A NEW  
5 BUILDING CONSTRUCTION PROJECT SHALL:

6 (a) INCLUDE THE REQUIREMENTS OF SUBSECTION (1) OF THIS  
7 SECTION IN THE STATE AGENCY'S CRITERIA OR GUIDANCE FOR APPLYING  
8 FOR OR RECEIVING STATE FINANCIAL ASSISTANCE FOR NEW BUILDING  
9 CONSTRUCTION PROJECTS;

10 (b) REQUEST AN AFFIDAVIT SIGNED BY A RECIPIENT OF STATE  
11 FINANCIAL ASSISTANCE FOR NEW BUILDING CONSTRUCTION PROJECTS  
12 THAT DECLARES THAT:

13 (I) THE REQUIREMENTS OF SUBSECTION (1) OF THIS SECTION HAVE  
14 BEEN OR WILL BE FOLLOWED; OR

15 (II) THE RECIPIENT OF THE STATE FINANCIAL ASSISTANCE IS  
16 REQUESTING A WAIVER PURSUANT TO SUBSECTION (3) OF THIS SECTION;

17 (c) RESPOND TO WAIVER REQUESTS RECEIVED PURSUANT TO  
18 SUBSECTION (3) OF THIS SECTION.

19 (3) A STATE AGENCY THAT PROVIDES OR ADMINISTERS STATE  
20 FINANCIAL ASSISTANCE FOR NEW BUILDING CONSTRUCTION PROJECTS MAY  
21 ISSUE A STANDARDIZED WAIVER FROM THE REQUIREMENTS OF SUBSECTION  
22 (1) OF THIS SECTION FOR A NEW BUILDING CONSTRUCTION PROJECT IF THE  
23 RECIPIENT DEMONSTRATES, THROUGH EVIDENCE AND ATTESTATION FROM  
24 A LICENSED PROFESSIONAL ENGINEER OR DESIGN PROFESSIONAL, THAT:

25 (a) NO COVERED ENERGY-CONSUMING PRODUCT CERTIFIED BY THE  
26 ENERGY STAR PROGRAM AND THAT MEETS THE FUNCTIONAL  
27 REQUIREMENTS OF THE PROJECT IS REASONABLY AVAILABLE TO THE

1 APPLICANT; OR

2 (b) TAKING ENERGY COST SAVINGS AND THE SOCIAL COST OF  
3 CARBON INTO ACCOUNT, NO COVERED ENERGY-CONSUMING PRODUCT  
4 CERTIFIED BY THE ENERGY STAR PROGRAM IS COST-EFFECTIVE OVER THE  
5 LIFE OF THE PRODUCT.

6 (4) THE FOLLOWING NEW BUILDING CONSTRUCTION PROJECTS ARE  
7 EXEMPT FROM THE REQUIREMENTS OF THIS SECTION:

8 (a) PROJECTS THAT HAVE PASSED THE DESIGN PHASE BEFORE  
9 JANUARY 1, 2025, AND WOULD REQUIRE SIGNIFICANT REDESIGN TO  
10 INCLUDE A COVERED ENERGY-CONSUMING PRODUCT CERTIFIED BY THE  
11 ENERGY STAR PROGRAM; AND

12 (b) PROJECTS THAT HAVE RECEIVED A PERMIT FROM A LOCAL  
13 GOVERNMENT FOR THE USE OF A COVERED ENERGY-CONSUMING PRODUCT  
14 BEFORE JANUARY 1, 2025.

15 [REDACTED]

16 (5) IF THE ATTORNEY GENERAL HAS PROBABLE CAUSE TO BELIEVE  
17 THAT A PERSON HAS VIOLATED OR CAUSED ANOTHER PERSON TO VIOLATE  
18 SUBSECTION (1) OF THIS SECTION, THE ATTORNEY GENERAL MAY BRING A  
19 CIVIL ACTION ON BEHALF OF THE STATE TO SEEK THE ASSESSMENT OF A  
20 CIVIL PENALTY OF UP TO THE TOTAL AMOUNT OF STATE FINANCIAL  
21 ASSISTANCE RECEIVED BY THE VIOLATOR ON OR AFTER JANUARY 1, 2025,  
22 WHICH AMOUNT MUST BE TRANSMITTED TO THE STATE TREASURER, WHO  
23 SHALL CREDIT THE AMOUNT TO THE ENERGY FUND CREATED IN SECTION  
24 24-38.5-102.4 (1)(a)(I).

25 **SECTION 9.** In Colorado Revised Statutes, 6-7.5-105, **amend**  
26 (5)(j) as follows:

27 **6-7.5-105. Standards - effective dates - repeal.** (5) On and after

1 January 1, 2026, a person shall not sell, offer to sell, lease, or offer to  
2 lease any of the following new products in Colorado unless the efficiency  
3 of the new product meets or exceeds the following efficiency standards,  
4 as applicable:

5 (j) (I) ~~Residential windows, residential doors, and residential~~  
6 ~~skylights included in the scope of the Energy Star program product~~  
7 ~~specification for residential windows, doors, and skylights must satisfy~~  
8 ~~the northern climate zone qualification criteria of that specification;~~  
9 ~~except that residential windows and doors that are custom designed for~~  
10 ~~a historically designated building and required in order to maintain the~~  
11 ~~historic nature or character of such a building are not required to satisfy~~  
12 ~~such criteria~~ EXCEPT AS SET FORTH IN SUBSECTION (5)(j)(III) OF THIS  
13 SECTION, RESIDENTIAL WINDOWS, RESIDENTIAL DOORS, AND RESIDENTIAL  
14 SKYLIGHTS INCLUDED IN THE SCOPE OF THE MOST RECENT EDITION OF THE  
15 INTERNATIONAL ENERGY CONSERVATION CODE MUST MEET THE  
16 REQUIREMENTS FOR CLIMATE ZONE 5 IN THE "PRESCRIPTIVE MAXIMUM  
17 ASSEMBLY U-FACTORS AND FENESTRATION REQUIREMENTS" FROM THE  
18 INTERNATIONAL ENERGY CONSERVATION CODE.

19 (II) THE UPDATED REQUIREMENTS REFERENCED IN SUBSECTION  
20 (5)(j)(I) OF THIS SECTION TAKE EFFECT ONE YEAR AFTER THE PUBLICATION  
21 OF THE MOST RECENT EDITION OF THE INTERNATIONAL ENERGY  
22 CONSERVATION CODE.

23 (III) RESIDENTIAL WINDOWS AND DOORS THAT ARE CUSTOM  
24 DESIGNED FOR A HISTORICALLY DESIGNATED BUILDING AND REQUIRED IN  
25 ORDER TO MAINTAIN THE HISTORIC NATURE OR CHARACTER OF THE  
26 BUILDING ARE NOT REQUIRED TO SATISFY THE CRITERIA DESCRIBED IN  
27 SUBSECTION (5)(j)(I) OF THIS SECTION.

1           **SECTION 10.** In Colorado Revised Statutes, 24-38.5-405,  
2 **amend** (3)(a) as follows:

3           **24-38.5-405. High-efficiency electric heating and appliances**  
4 **grant program - creation - report - legislative declaration - repeal.**

5 (3) Grantees may use the money received through the high-efficiency  
6 electric heating and appliances grant program for the following purposes:

7           (a) The purchase and installation of high-efficiency electric  
8 equipment for DRYING, space heating, water heating, ~~or~~ cooking, OR FOR  
9 OTHER PURPOSES AS DETERMINED BY THE COLORADO ENERGY OFFICE in  
10 multiple residential or commercial buildings located in close proximity;

11           **SECTION 11.** In Colorado Revised Statutes, 39-22-545, **amend**  
12 (2)(a), (2)(b), (2)(i), and (2)(j) as follows:

13           **39-22-545. Credit against tax - heat pump systems - heat pump**  
14 **water heaters - tax preference performance statement - legislative**  
15 **declaration - definitions - repeal.** (2) As used in this section, unless the  
16 context otherwise requires:

17           (a) "Air-source heat pump system" has the same meaning AS set  
18 forth in section ~~39-26-732 (2)(a)~~ 39-22-554 (2).

19           (b) "Ground-source heat pump system" has the same meaning AS  
20 set forth in section ~~39-26-732 (2)(b)~~ 39-22-554 (2).

21           (i) "Variable refrigerant flow heat pump system" has the same  
22 meaning AS set forth in section ~~39-26-732 (2)(f)~~ 39-22-554 (2).

23           (j) "Water-source heat pump system" has the same meaning AS set  
24 forth in section ~~39-26-732 (2)(e)~~ 39-22-554 (2).

25           **SECTION 12. Applicability.** This act applies to conduct  
26 occurring on or after the effective date of this act.

27           **SECTION 13. Safety clause.** The general assembly finds,

1 determines, and declares that this act is necessary for the immediate  
2 preservation of the public peace, health, or safety or for appropriations for  
3 the support and maintenance of the departments of the state and state  
4 institutions.