

Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

DRAFT
10/10/23

Bill 8

LLS NO. 24-0426.01 Nicole Myers x4326

INTERIM COMMITTEE BILL

Wildfire Matters Review Committee

BILL TOPIC: Incentives Promote CO Timber Industry

A BILL FOR AN ACT

101 **CONCERNING THE ADOPTION OF INCENTIVES TO PROMOTE THE TIMBER**
102 **INDUSTRY IN COLORADO, AND, IN CONNECTION THEREWITH,**
103 **CREATING AN INTERNSHIP PROGRAM IN THE COLORADO STATE**
104 **FOREST SERVICE; CREATING A STATE INCOME TAX CREDIT FOR**
105 **THE PURCHASE OF QUALIFYING ITEMS USED IN TIMBER**
106 **PRODUCTION; AND EXPANDING AND EXTENDING AN EXISTING**
107 **SALES AND USE TAX EXEMPTION TO COVER THE SALES, STORAGE,**
108 **AND USE OF WOOD HARVESTED IN COLORADO.**

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

*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words indicate deletions from existing law.*

[http://leg.colorado.gov/.](http://leg.colorado.gov/))

Wildfire Matters Review Committee. Section 1 of the bill creates the timber industry workforce development program (internship program) in the Colorado state forest service (forest service) to provide incentives to timber businesses to hire interns through partial reimbursement of the costs to such businesses of hiring interns. Not later than January 1, 2025, the forest service is required to promulgate policies, procedures, and guidelines for administering the internship program. The bill specifies minimum components of the policies, procedures, and guidelines.

Subject to available appropriations, the forest service may reimburse a qualified timber business an amount not to exceed 50% of the actual cost to the business to employ the intern. The actual cost includes the wages paid to the intern, a reasonable allocation of fixed overhead expenses, and all incidental costs directly related to the internship. Based on the annual appropriation for the internship program, the forest service shall determine how many internships may be approved, the amount of reimbursement per internship, and whether a timber business may be reimbursed for more than one intern in the same fiscal year. However, no timber business may be reimbursed for more than 3 internships in the same fiscal year.

For income tax years commencing on or after January 1, 2024, but prior to January 1, 2029, **section 2** allows a timber business doing business in Colorado to claim a credit against the state income tax for 20% of the costs incurred by the taxpayer in purchasing mechanized equipment, certain vehicles, and equipment infrastructure used in the production of wood products, not to exceed \$10,000 for the aggregate of all such qualifying items purchased in any one income tax year. The bill specifies additional requirements concerning the administration of the tax credit.

Under current law, for fiscal years commencing on or after July 1, 2008, but prior to the fiscal year commencing on July 1, 2020, and for fiscal years commencing on or after July 1, 2021, but prior to the fiscal year commencing on July 1, 2026, all sales, storage, and use of wood from salvaged trees in Colorado that were killed or infested by mountain pine beetles or spruce beetles, including but not limited to products such as lumber, furniture built from the salvaged trees, and wood chips or wood pellets generated from the salvaged trees, are exempt from the state sales and use tax.

For fiscal years commencing on or after July 1, 2024, but prior to the fiscal year commencing on July 1, 2028, **section 3** expands and extends this exemption to include all sales, storage, and use of wood harvested in Colorado, including but not limited to products such as lumber, furniture built from such wood, wood chips or wood pellets

generated from such wood, and wood from salvaged trees in Colorado that were killed or infested by mountain pine beetles or spruce beetles.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 23-31-321 as
3 follows:

4 **23-31-321. Timber industry workforce development program**
5 **- creation - rules - legislative declaration - definitions.** (1) THE
6 GENERAL ASSEMBLY FINDS, DETERMINES, AND DECLARES THAT:

7 (a) FINDING QUALIFIED AND TRAINED EMPLOYEES IS A SIGNIFICANT
8 CHALLENGE FOR THE STATE'S TIMBER INDUSTRY, AND IT IS ESPECIALLY
9 DIFFICULT TO PROVIDE TRAINING AND EXPERIENCE TO YOUNGER WORKERS
10 WHO ARE INTERESTED IN BEGINNING CAREERS IN THE TIMBER INDUSTRY;

11 (b) THE BARRIERS TO ENTRY FOR YOUNGER WORKERS WHO ARE
12 INTERESTED IN BEGINNING A CAREER IN THE TIMBER INDUSTRY ARE
13 SIGNIFICANT, INCLUDING ACCESS TO TRAINING PROGRAMS THAT PROVIDE
14 REAL-WORLD WORK EXPERIENCE;

15 (c) INTERNSHIPS ARE A RECOGNIZED WAY TO BUILD A TALENT
16 PIPELINE AND CAREER PATHWAY TO ALIGN EDUCATION, TRAINING, AND
17 WORK-BASED LEARNING; AND

18 (d) BY OFFERING INCENTIVES TO TIMBER BUSINESSES TO CREATE
19 INTERNSHIPS, THERE WILL BE MORE OPPORTUNITIES FOR STUDENTS TO
20 OBTAIN WORK EXPERIENCE IN THE TIMBER INDUSTRY.

21 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
22 REQUIRES:

23 (a) "FOREST SERVICE" MEANS THE COLORADO STATE FOREST
24 SERVICE IDENTIFIED IN SECTION 23-31-302 AND THE DIVISION OF
25 FORESTRY CREATED IN SECTION 24-33-201.

1 (b) "INTERNSHIP PROGRAM" MEANS THE TIMBER INDUSTRY
2 WORKFORCE DEVELOPMENT PROGRAM CREATED IN SUBSECTION (3) OF
3 THIS SECTION.

4 (c) "TIMBER BUSINESS" MEANS A FOR-PROFIT BUSINESS ENTITY
5 INCORPORATED OR LOCATED IN COLORADO THAT CONCERNS ITSELF WITH
6 FORESTRY, LOGGING, THE TIMBER TRADE, OR THE PRODUCTION OF WOOD
7 PRODUCTS SUCH AS FURNITURE AND SECONDARY WOOD PRODUCTS SUCH
8 AS WOOD PULP FOR THE PULP AND PAPER INDUSTRY.

9 (3) THE TIMBER INDUSTRY WORKFORCE DEVELOPMENT PROGRAM
10 IS CREATED IN THE FOREST SERVICE TO PROVIDE INCENTIVES TO TIMBER
11 BUSINESSES TO HIRE INTERNS THROUGH PARTIAL REIMBURSEMENT OF THE
12 COSTS TO SUCH BUSINESSES OF HIRING INTERNS. NOT LATER THAN
13 JANUARY 1, 2025, THE FOREST SERVICE SHALL PROMULGATE POLICIES,
14 PROCEDURES, AND GUIDELINES FOR ADMINISTERING THE INTERNSHIP
15 PROGRAM. THE POLICIES, PROCEDURES, AND GUIDELINES MUST SPECIFY,
16 AT A MINIMUM:

17 (a) THE CRITERIA FOR SELECTING A TIMBER BUSINESS FOR
18 PARTICIPATION IN THE INTERNSHIP PROGRAM, INCLUDING THE ABILITY OF
19 THE TIMBER BUSINESS TO EFFECTIVELY SUPERVISE AN INTERN AND THE
20 OPPORTUNITY FOR AN INTERN TO GET MEANINGFUL WORK EXPERIENCE;

21 (b) THE CRITERIA FOR AN INTERNSHIP TO QUALIFY UNDER THE
22 INTERNSHIP PROGRAM, INCLUDING THE FOLLOWING:

23 (I) THE INTERNSHIP MUST PROVIDE AN INTERN AT LEAST ONE
24 HUNDRED THIRTY HOURS OF WORK EXPERIENCE; AND

25 (II) THE INTERNSHIP CANNOT EXCEED SIX MONTHS IN DURATION
26 PER INTERN;

27 (c) THE CRITERIA FOR A TIMBER BUSINESS TO USE IN SELECTING

1 QUALIFIED INTERNS, INCLUDING THE REQUIRED EDUCATIONAL EXPERIENCE
2 FOR AN INTERN AND THE ABILITY OF THE INTERN TO PERFORM
3 MEANINGFUL WORK FOR THE BUSINESS;

4 (d) THE PROCESS AND TIMETABLE FOR SELECTING QUALIFIED
5 BUSINESSES AND QUALIFIED INTERNS;

6 (e) THE ACCOUNTING REQUIREMENTS FOR TRACKING INTERNSHIP
7 COSTS; AND

8 (f) THE PROCESS BY WHICH A TIMBER BUSINESS MUST SEEK
9 REIMBURSEMENT FROM THE STATE FOR THE INTERNSHIP COSTS IT HAS
10 ASSUMED.

11 (4) SUBJECT TO AVAILABLE APPROPRIATIONS, THE FOREST SERVICE
12 MAY REIMBURSE A QUALIFIED TIMBER BUSINESS AN AMOUNT NOT TO
13 EXCEED FIFTY PERCENT OF THE ACTUAL COST TO THE BUSINESS TO EMPLOY
14 AN INTERN PURSUANT TO THIS SECTION. THE ACTUAL COST INCLUDES THE
15 WAGES PAID TO THE INTERN, A REASONABLE ALLOCATION OF FIXED
16 OVERHEAD EXPENSES, AND ALL INCIDENTAL COSTS DIRECTLY RELATED TO
17 THE INTERNSHIP. BASED ON THE ANNUAL APPROPRIATION FOR THE
18 INTERNSHIP PROGRAM, THE FOREST SERVICE SHALL DETERMINE HOW
19 MANY INTERNSHIPS MAY BE APPROVED, THE AMOUNT OF REIMBURSEMENT
20 PER INTERNSHIP, AND WHETHER A TIMBER BUSINESS MAY BE REIMBURSED
21 FOR MORE THAN ONE INTERN IN THE SAME FISCAL YEAR; EXCEPT THAT NO
22 TIMBER BUSINESS MAY BE REIMBURSED FOR MORE THAN THREE
23 INTERNSHIPS IN THE SAME FISCAL YEAR.

24 **SECTION 2.** In Colorado Revised Statutes, **add** 39-22-560 as
25 follows:

26 **39-22-560. Credit for purchase of equipment, vehicles, and**
27 **structures used in the timber industry - tax preference performance**

1 **statement - legislative declaration - definitions - repeal.** (1) (a) IN
2 ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL
3 THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE
4 PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE
5 DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES
6 THAT:

7 (I) THE GENERAL LEGISLATIVE PURPOSES OF THE TAX CREDIT
8 CREATED IN THIS SECTION ARE TO IMPROVE INDUSTRY COMPETITIVENESS
9 FOR THE STATE'S TIMBER INDUSTRY AND TO PROVIDE TAX RELIEF FOR
10 CERTAIN BUSINESSES ENGAGED IN TIMBER INDUSTRY BUSINESS ACTIVITIES;
11 AND

12 (II) THE SPECIFIC INTENDED PURPOSE OF THE TAX CREDIT CREATED
13 IN THIS SECTION IS TO REDUCE BASIC OPERATIONAL COSTS FOR BUSINESSES
14 ENGAGED IN THE STATE'S TIMBER INDUSTRY BY ALLOWING SUCH
15 BUSINESSES A SPECIFIED CREDIT AGAINST THEIR INCOME TAXES FOR THEIR
16 PURCHASE OF MECHANIZED EQUIPMENT, VEHICLES, AND EQUIPMENT
17 INFRASTRUCTURE USED TO MAKE WOOD PRODUCTS, THEREBY PROMOTING
18 THE STATE'S TIMBER INDUSTRY.

19 (b) TO ALLOW THE GENERAL ASSEMBLY AND THE STATE AUDITOR
20 TO MEASURE THE EFFECTIVENESS OF THE CREDIT, THE DEPARTMENT OF
21 REVENUE SHALL TRACK THE NUMBER OF CREDITS ALLOWED, THE TOTAL
22 VALUE OF THE CREDITS ALLOWED, THE AVERAGE AMOUNT OF EACH CREDIT
23 ALLOWED, AND THE NUMBER OF QUALIFYING ITEMS PURCHASED FOR
24 WHICH THE CREDIT WAS ALLOWED.

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

27 (a) "EQUIPMENT INFRASTRUCTURE" MEANS ANY EQUIPMENT USED

1 IN THE MANUFACTURING OF WOOD PRODUCTS AND INCLUDES, WITHOUT
2 LIMITATION, DRY KILNS, SAWMILLS, DEBARKERS, PELLET MILLS, AND
3 STRUCTURES NECESSARY TO ENCLOSE LOGGING OR OTHER OPERATIONS
4 ENGAGED IN BY A TAXPAYER.

5 (b) "QUALIFYING ITEMS" MEANS:

6 (I) ANY MECHANIZED EQUIPMENT THAT IS USED FOR THE
7 HARVESTING, SKIDDING, PROCESSING, AND LOADING OF TREES;

8 (II) ANY TRUCK OR TRAILER USED FOR THE HAULING OF LOGS; AND

9 (III) ANY EQUIPMENT INFRASTRUCTURE USED IN THE
10 MANUFACTURING OF WOOD PRODUCTS.

11 (c) "TAXPAYER" MEANS ANY SOLE PROPRIETORSHIP, PARTNERSHIP,
12 LIMITED LIABILITY CORPORATION, SUBCHAPTER S CORPORATION, OR
13 REGULAR CORPORATION DOING BUSINESS IN THE STATE THAT CONCERNS
14 ITSELF WITH FORESTRY, LOGGING, THE TIMBER TRADE, OR THE
15 PRODUCTION OF WOOD PRODUCTS SUCH AS FURNITURE AND SECONDARY
16 WOOD PRODUCTS SUCH AS WOOD PULP FOR THE PULP AND PAPER
17 INDUSTRY.

18 (3) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
19 1, 2024, BUT PRIOR TO JANUARY 1, 2029, THERE IS ALLOWED TO ANY
20 TAXPAYER A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN
21 THE AMOUNT OF TWENTY PERCENT OF THE COST INCURRED BY THE
22 TAXPAYER IN PURCHASING A QUALIFYING ITEM, NOT TO EXCEED TEN
23 THOUSAND DOLLARS IN THE AGGREGATE FOR ALL QUALIFYING ITEMS
24 PURCHASED IN ANY ONE INCOME TAX YEAR.

25 (4) IF THE AMOUNT OF THE CREDIT SPECIFIED IN SUBSECTION (3) OF
26 THIS SECTION EXCEEDS THE AMOUNT OF INCOME TAXES DUE ON THE
27 INCOME OF THE TAXPAYER IN THE INCOME TAX YEAR FOR WHICH THE

1 CREDIT IS BEING CLAIMED, THE AMOUNT OF THE CREDIT NOT USED AS AN
2 OFFSET AGAINST INCOME TAXES IN SAID INCOME TAX YEAR SHALL NOT BE
3 ALLOWED AS A REFUND BUT MAY BE CARRIED FORWARD AS A CREDIT
4 AGAINST SUBSEQUENT YEARS' TAX LIABILITY FOR A PERIOD NOT TO
5 EXCEED FIVE YEARS AND SHALL BE APPLIED FIRST TO THE EARLIEST
6 INCOME TAX YEARS POSSIBLE. ANY AMOUNT OF THE CREDIT THAT IS NOT
7 USED DURING SAID PERIOD SHALL NOT BE REFUNDABLE TO THE TAXPAYER.

8 (5) TO CLAIM A CREDIT UNDER THIS SECTION, A TAXPAYER SHALL
9 SUBMIT TO THE DEPARTMENT OF REVENUE DOCUMENTATION IN A FORM
10 SATISFACTORY TO THE DEPARTMENT OF REVENUE THAT DEMONSTRATES
11 THAT THE TAXPAYER PURCHASED THE QUALIFYING ITEM AND THE COST OF
12 THE ITEM PURCHASED BY THE TAXPAYER.

13 (6) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2039.

14 **SECTION 3.** In Colorado Revised Statutes, 39-26-723, **amend**
15 (1) and (3) as follows:

16 **39-26-723. Colorado wood products - repeal.** (1) (a) For fiscal
17 years commencing on or after July 1, 2008, but prior to the fiscal year
18 commencing on July 1, 2020, and for fiscal years commencing on or after
19 July 1, 2021, but prior to the fiscal year commencing on ~~July 1, 2026~~
20 JULY 1, 2024, all sales, storage, and use of wood from salvaged trees
21 killed or infested in Colorado by mountain pine beetles or spruce beetles,
22 including but not limited to products such as lumber, furniture built from
23 the salvaged trees, and wood chips or wood pellets generated from the
24 salvaged trees, are exempt from taxation under the provisions of parts 1
25 and 2 of this article 26.

26 (b) FOR FISCAL YEARS COMMENCING ON OR AFTER JULY 1, 2024,
27 BUT PRIOR TO THE FISCAL YEAR COMMENCING ON JULY 1, 2028, ALL

1 SALES, STORAGE, AND USE OF WOOD HARVESTED IN COLORADO,
2 INCLUDING BUT NOT LIMITED TO PRODUCTS SUCH AS LUMBER, FURNITURE
3 BUILT FROM SUCH WOOD, WOOD CHIPS OR WOOD PELLETS GENERATED
4 FROM SUCH WOOD, AND WOOD FROM SALVAGED TREES IN COLORADO
5 THAT WERE KILLED OR INFESTED BY MOUNTAIN PINE BEETLES OR SPRUCE
6 BEETLES, ARE EXEMPT FROM TAXATION UNDER THE PROVISIONS OF PARTS
7 1 AND 2 OF THIS ARTICLE 26.

8 (3) This section is repealed, effective ~~July 1, 2027~~ JULY 1, 2029.

9 **SECTION 4. Act subject to petition - effective date.** This act
10 takes effect at 12:01 a.m. on the day following the expiration of the
11 ninety-day period after final adjournment of the general assembly; except
12 that, if a referendum petition is filed pursuant to section 1 (3) of article V
13 of the state constitution against this act or an item, section, or part of this
14 act within such period, then the act, item, section, or part will not take
15 effect unless approved by the people at the general election to be held in
16 November 2024 and, in such case, will take effect on the date of the
17 official declaration of the vote thereon by the governor.